# FINANCIAL TIMES

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FRIDAY DECEMBER 4 1998

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## WORLD NEWS

### Japanese GDP drops for fourth straight quarter

Japan's gross domestic product fell for the fourth consecutive quarter in the July-September period, highlighting the dire state of the economy. This is the longest uninterrupted fall in Japanese GDP since the government began collecting data by the present method in 1955. Page 22; German GDP rising, Europe, Page 2

**Serb condemns US government**
Radical Serb nationalist and government minister Vojislav Seselj compared the US administration to the Nazis in response to a tough new line from Washington portraying Yugoslav president Slobodan Milosevic as an obstacle to peace in the Balkans. Europe, Page 3

**MEPs pursue uniform salary**
European Parliament members issued a challenge to European Union governments as they backed proposals for a uniform salary and the loss of lavish travel allowances in favour of reimbursement of their actual costs. Europe, Page 3

**Brussels leans on France**
The European Commission stepped up pressure on the French government to scrap special provisions designed to bar foreign companies from taking over oil company Elf Aquitaine. Europe, Page 3

**Saudis request $5bn loan**
Falling oil prices have forced Saudi Arabia to turn to its neighbour, Abu Dhabi, for a loan estimated by Saudi bankers at $5bn to help finance its soaring budget deficit. Page 22

**Chirac seeks to soothe UK**
French President Jacques Chirac is seeking to help defuse a growing dispute between the UK and other members of the European Union over tax harmonisation during an Anglo-French summit. Europe, Page 3

**KIO wins legal argument**
The Kuwait Investment Office won a significant victory in its legal attempt to show its former senior management defrauded it of $450m through Spanish subsidiary Grupo Torras. International, Page 5

**Test for Nigerian democracy**
Tomorrow's local elections in Nigeria will be crucial in determining the credibility of the move to democracy in a country ruled by the military for all but 10 of its 38 years of independence. International, Page 5

**Brazil delays taking IMF loan**
Brazil will await Senate approval of bilateral loans from foreign governments before it draws on an $18bn loan from the International Monetary Fund. The Americas, Page 7; Lex, Page 22

**World trade set to halve**
Growth in the volume of world trade will more than halve this year to 4-5 per cent from last year's 10 per cent, the World Trade Organisation predicts. Trade, Page 4

**HK tries to boost home sales**
Hong Kong is to halve the level of deposits required by home buyers in a further attempt to boost the ailing property market. Asia-Pacific, Page 6

**Indonesia to hold elections**
Indonesia announced plans to hold general elections next June and presidential elections in August. Asia-Pacific, Page 6

## BUSINESS NEWS

### GEC prepares to outline strategy on defence business

General Electric Company of the UK said it was close to a decision on an important strategic step for its defence business. The announcement heightened speculation about consolidation of the global defence industry. Page 23; Lex, Page 22; Results, Page 28

**Warren Buffett**, US investor known as "the sage of Omaha", is believed to have sold a large part of his silver stock. Page 22; Commodities, Page 32

**Reed Elsevier**, Anglo-Dutch publishing group, warned of revenue weakness across the range of its professional and business publications. Companies and markets, Page 23; Comment, Page 28

**Oneworld**, global airline alliance led by British Airways and American Airlines, is to be enlarged with the admission of Finnish flag carrier Finnair. European companies, Page 26

**Flemings**, UK investment banking and fund management group, is to take full ownership of Jardine Fleming, its 28-year-old Asian joint venture with trading group Jardine Matheson. Companies and markets, Page 23; Nice deal, Page 27

**Société Générale** emerged as the winner of a tender for a majority stake in the first Romanian state bank to be privatised. International companies, Page 25

**Fokus Bank**, Norway's fourth largest lender, expects approval from two key shareholders on a NKr5.8bn ($769m) takeover bid by Den Danske Bank of Denmark. International companies, Page 25

**Samsung** is in talks about swapping its automotive operations for the consumer electronics business of Daewoo. A deal would be a step forward in government efforts to promote a shake-up of the main industrial sectors. Companies and markets, Page 23

**Canadian Imperial Bank of Commerce** reported fourth quarter profits 90 per cent lower at C$34m (US$22m) because of trading losses at its world markets operations. US and Canadian companies, Page 24

**Fuji Bank** said an investigation by international accounting firm Ernst & Young confirmed there was no evidence of Fuji covering up bad loans by transferring them to affiliates. Asia-Pacific companies, Page 27

**OTE**, Greek public telecoms company, said its $690m acquisition of Romania's Rom Telecom was on track despite a delay in arranging financing. European companies, Page 26

**New York Stock Exchange** governors delayed a decision on whether to move from Manhattan to New Jersey.

**Fiat of Italy and Mitsubishi** Motors of Japan are planning a joint venture to produce a four-wheel-drive sports utility model. European companies, Page 26

**World Equity Markets**
The latest trends and data from more than 50 national markets at a glance
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## WORLD MARKETS

| | | |
|---|---|---|
| **STOCK MARKET INDICES** | | |
| New York: | | |
| Dow Jones Ind Av | 8928.38 | (-75.18) |
| Nasdaq Composite | 2004.28 | (+9.07) |
| Europe and Far East | | |
| CAC40 | 3715.67 | (+65.76) |
| Dax | 4787.08 | (+95.39) |
| FTSE 100 | 5,566.1 | (+58.9) |
| Nikkei | 14,697.08 | (-289.54) |
| **US RATES** | | |
| Federal Funds | 4.6875% | (4.28%) |
| 3-mth Treas Bills: Yld | 4.44% | (4.491%) |
| Long Bond | 103% | (103%) |
| Yield | 5.02% | (5.025%) |
| **OTHER RATES** | | |
| UK: 3-mo Interbank | 6⅞% | (6⅞%) |
| UK: 10 yr Gilt | 134.3 | (134.35) |
| France: 10 yr OAT | 136.13 | (136.31) |
| Germany: 10 yr Bund | 105.59 | (106.56) |
| Japan: 10 yr JGB | 106.028 | (105.538) |
| **NORTH SEA OIL (Argus)** | | |
| Brent Dated | $10.08 | (9.84) |

| | | |
|---|---|---|
| **GOLD** | | |
| New York Comex+ | $291.3 | (292.7) |
| London | $292.55 | (293.85) |
| **EXCHANGE RATES** | | |
| Dollar | | |
| New York: | | |
| £ | 1.6665 | (1.6685) |
| DM | 1.67125 | (1.6718) |
| FFr | 5.6045 | (5.6075) |
| SFr | 1.3665 | (1.3673) |
| Y | 118.725 | (120.08) |
| London: | | |
| £ | 1.6636 | (1.661) |
| DM | 1.6741 | (1.673) |
| FFr | 5.6139 | (5.6102) |
| SFr | 1.37 | (1.3707) |
| Y | 118.75 | (120.52) |
| Tokyo Close | | Y 119.23 |
| Sterling | | |
| DM | 2.7853 | (2.7788) |

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UNPRECEDENTED ACTION SETS SEAL ON PREPARATIONS FOR LAUNCH OF SINGLE CURRENCY

# Euro-zone nations in co-ordinated move to cut interest rates

By Tony Barber in Frankfurt, Philip Coggan in London and Samer Iskandar in Paris

Interest rates cuts in all 11 countries planning to adopt the euro in one month's time yesterday set the seal on preparations for Europe's single currency.

The unprecedented move to a common interest rate – with the exception of Italy – came sooner than expected but was prompted by concern among central bankers that economic growth will slacken next year in Europe and much of the rest of the world.

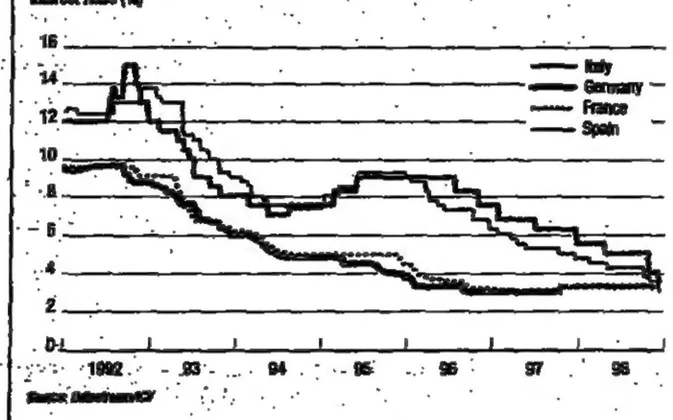
Germany's Bundesbank, the Bank of France and all other euro-zone central banks except the Bank of Italy brought down their benchmark rates to 3 per cent. Rates in both Germany and France had stood at 3.30 per cent.

The cuts followed weeks of sustained political pressure for lower rates from Germany's Social Democrat-led government and its centre-left allies in other European Union countries. They had argued that Europe's high levels of unemployment and dimming growth prospects required a looser monetary policy. But the president of the European Central Bank, Wim Duisenberg, and the Bundesbank president, Hans Tietmeyer, insisted that the central banks had not caved in to the politicians' demands, which were expressed forcefully by the finance ministers of Germany and France, Oskar Lafontaine and Dominique Strauss-Kahn.

In a joint statement yesterday, Mr Lafontaine and Mr Strauss-Kahn welcomed the cut. They said the drop in rates would "counter the threat of a slow-down in economic growth... and favour job creation".

The Bank of Italy cut its discount rate from 4 per cent to 3.5 per cent rather than directly to 3 per cent. Senior officials at the Bank of Italy said they had to be cautious about the possibility of speculation against the lira ahead of the launch of the euro on January 1. But Spain, Portugal and Ireland went ahead with cuts of more than 0.30 per cent.

Converging on the euro
Interest rates (%)



Source: Datastream/ICV

ECB president Wim Duisenberg yesterday

Picture: Marc-Oliver Bosse

European stock markets took heart from the cuts, reversing early losses to end 1-2 per cent higher. The rebound helped the market pull out of a correction that had taken place earlier in the week, which had reflecting worries about economic growth and corporate earnings.

The Dax in Frankfurt gained 100.34, or 2.1 per cent to 4,812.34 while the CAC-40 in Paris rose 65.76 or 1.8 per cent to 3,715.67. But gains were limited by some further weakness on Wall Street, where the Dow Jones Industrial Average was down 124 at one point in afternoon trading. In London, the FTSE rose 58.9, or 1.07 per cent, to 5,566.1

European government bonds also rallied on the news but longer-dated issues fell back in later trading.

The ECB, which does not formally assume control of monetary policy until January 1, said in a statement that the rate cuts should be seen as "a de facto decision" on the level of interest rates which would prevail in the euro-zone "for the foreseeable future".

The reductions are expected to be welcomed in the United States, where the Federal Reserve has cut US rates three times in the past three months in the face of continuing tension on world markets.

# Duisenberg hails 'sensational' decision

By Wolfgang Münchau, Lionel Barber and Peter Norman in Brussels

Wim Duisenberg, president of the European Central Bank, yesterday described the co-ordinated rate cut by euro-zone central banks as a "rather sensational" decision aimed at ensuring a smooth transition to the launch of the single currency in exactly four weeks.

In an interview with the Financial Times, Mr Duisenberg said the agreed interest rate of 3 per cent for all single currency countries except Italy foreshadowed the common interest rate for the euro-zone and was intended to last for the foreseeable future. Apart from Italy - where interest rates were cut to 3.5 per cent - "the convergence process is completed", he said.

The 63-year-old Dutch central banker said he hoped the move would restore faltering confidence among consumers and business and boost growth and investment.

The benefits would be "mainly of a psychological nature," he said.

Mr Duisenberg denied that the central banks had reacted in response to political pressure from centre-left governments, including the new German coalition.

He said central banks had been aware for some time about the desirability of a cut in interest rates, but the difficulty lay in timing and presentation.

He said: "The political pressure that arose in the meantime only made it rather more difficult to actually do something. And we had long discussions about that, because it does create a certain stubbornness in the minds of central bankers. We have consciously decided to demonstrate our independence."

He said the decision followed a sustained period of very moderate inflation. This had created the conditions in which monetary policy could play some role in supporting the recovery in Europe.

"Central banks are always accused of acting too late and too little. This time we will not be accused of acting too late. I am very happy that we came to this decision. It is a unique decision. I expect it to be received rather sensationally." Mr Duisenberg referred to the challenge of persuading 11 countries to agree a common interest rate policy, which came to a climax at a protracted meeting of the ECB's governing council on Tuesday.

That meeting included the 11 central bank governors of the countries in the future euro-zone and the six members of the ECB's executive board, which he heads.

He did not "particularly like" the decision by the Bank of Italy not to join in the co-ordinated move to 3 per cent, "but it doesn't spoil the entire process".

# Body scanners to invade high street

By Clive Cookson in London

Retailing and electronics industries in the UK are joining forces to remove the greatest frustration of clothes shopping – the frequent mismatch between customer's bodies and the clothes they try on in the store or worse still, order by mail.

Body scanners will be installed nationwide, to capture the precise size and shape of individual shoppers. Similar research is being carried out elsewhere, but Prof Philip Treleaven, the project leader, said no other country was adopting such a comprehensive approach.

Armed with three-dimensional information from the scanner, people will be able to see how they look in "virtual clothes" before trying anything on, using a computer screen in the shop or at home.

Yesterday, the British government signalled the start of what participants say will be the biggest revolution in clothes shopping for a generation, by announcing a £3.4m ($5.6m) project to develop 3D electronic commerce. Installing the technology will cost tens of millions of pounds.

Hamamatsu Photonics, the Japanese scanner manufacturer, is a partner in the UK project. It has installed about 40 body scanners in Asia, for modelling and designing expensive custom-made ladies' underwear.

The US-led Caesar project is extracting detailed measurements from 15,000 people, while the French navy is scanning 70,000 sailors.

The new Centre for 3D Electronic Shopping, based at University College London, will prepare the infrastructure on behalf of a 20-member consortium, including leading retailers and specialist clothing, electronics and information technology companies.

The scanning process takes less than ten seconds. The customer steps into a booth, wearing underclothes, and is scanned with invisible beams of low-power infra-red light that measure 100,000 points on the body.

The computer then extracts a high-resolution image, which can be fitted with "virtual clothes" and animated on screen, so that the customer can see how the fabric changes shape as she or he moves.

One aim of the project is to prepare for a National Sizing Survey, the UK's first since 1951, which will involve scanning a representative sample of 30,000 men, women and children.

But in the long term the most important application may be to enable people to buy clothes confidently from home. "At present, they are reluctant to buy by mail order because they don't think things will fit," said Prof Treleaven. "Forty per cent of clothes bought by mail order are returned."

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EURO-ZONE RATE CUT

# Move aims to inspire confidence

By Wolfgang Münchau in Brussels

Yesterday's decision by 10 European central banks to adopt a common short-term interest rate of 3 per cent was greeted as an appropriate response to the global financial turmoil, but it also reflects deep anxieties about the state of the European economy.

In a Financial Times interview Wim Duisenberg, president of the European Central Bank, said he hoped the decision would "inspire investment which is faltering at the moment in many countries where uncertainties are so great". He was referring in part to the glum confidence surveys recently published in Germany, which accounts for about a quarter of the euro-zone economy. The latest purchasing managers' survey indicated that the German manufacturing sector may be heading for recession. Business confidence indices, notably the Ifo index, have fallen for several consecutive months, signalling a protracted decline in future expectations.

Senior monetary officials within the ECB and national central banks admit to being puzzled by the extreme dichotomy between the published economic data – which show that growth in Europe has been holding up well – and the confidence indicators, which are extremely pessimistic.

Mr Duisenberg made clear that the biggest threat to the European economy at this moment was the virtual collapse in business and consumer confidence, rather than actual economic developments. The ECB's internal forecast expects a 1999 economic growth rate for the euro-zone of 2.4-2.5 per cent, close to the most recent forecast by the European Commission, which predicted a growth rate of 2.6 per cent. The ECB and the Commission are forecasting a pick-up in economic activity towards the end of next year.

Some private sector forecasters, however, project growth of less than 2 per cent. The rate cut is therefore mainly a psychological phenomenon. Except for its impact on confidence, it is not thought likely to have much impact on the euro-zone's economic prospects. Most European central bankers say the nominal and real level of interest rates was already sufficient to provide enough liquidity for economic growth.

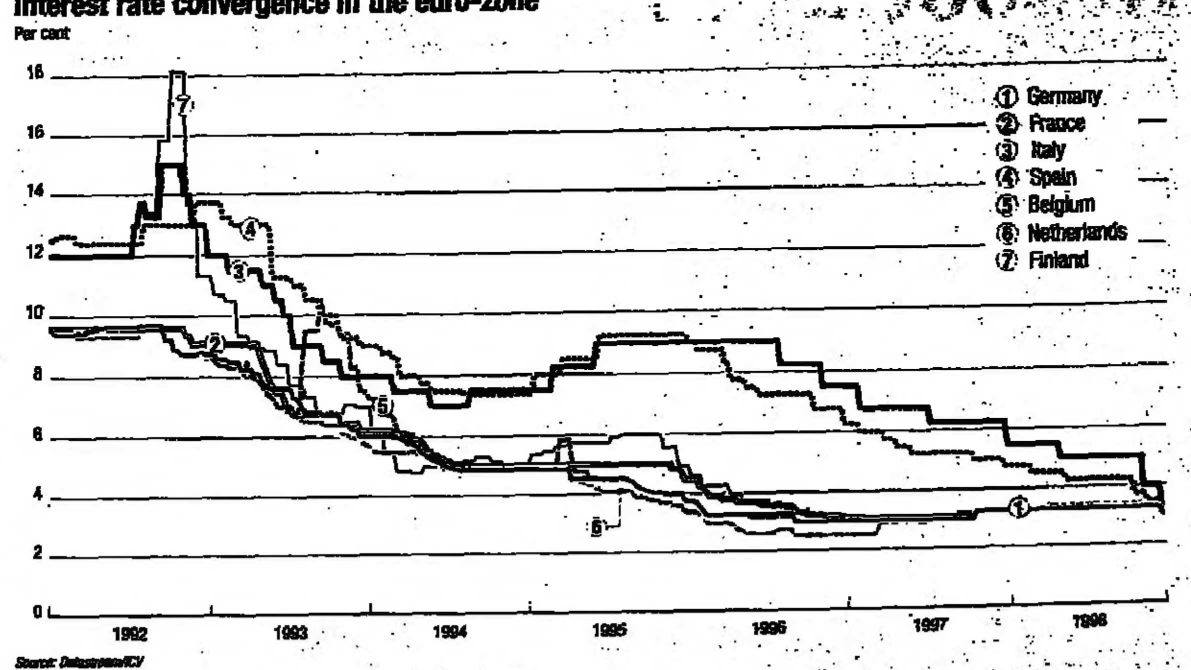
The 11 countries joining the euro-zone from January 1 next year enjoy a relatively stable macro-economic environment, marked by low inflation, tight fiscal policies, a relaxed monetary policy and wage moderation. The current macroeconomic policy mix is considered to be one of the best in Europe for many years. Thomas Mayer, ECB watcher at Goldman Sachs, the US investment bank, said: "I think this decision came against the background of the weakening economic performance. It has cleared the way for the ECB, in that the ECB will now probably not come under pressure for further rate cuts for some time."

Mr Duisenberg said the 3.0 per cent short-term rate will remain in place right through the start of economic and monetary union next year and for some time after that. He also indicated that the overall interest rate stance was neutral, meaning that the probability of a future interest rate increase is now the same as the chances of a rate cut.

Some analysts have argued that the main short-term risk to the euro-zone economy could stem from a sharp appreciation of the euro against the dollar, as a way for Europe to reduce its persistent current account surplus.

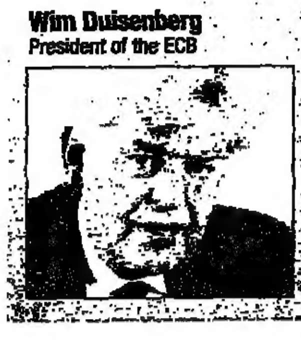
● Denmark, which is not part of the future euro-zone, yesterday cut its repo rate by 30 basis points to 3.95 percent and the discount rate by 50 basis points to 3.50 percent with effect from today, reports Reuters in Copenhagen. "The background for the rate cuts is that central banks in countries of the coming euro-zone have implemented interest rate reductions," the Danish central bank said.

Interest rate convergence in the euro-zone



Source: Datastream/ICV

Wim Duisenberg
President of the ECB



Jean-Claude Trichet
Governor of the Bank of France

Hans Tietmeyer
President of the Bundesbank

Antonio Fazio
Governor of the Bank of Italy

**The rate cut 'will maintain in France – and extend to Europe – the confidence of households and companies in a healthy and sustainable economic development' – Jean-Claude Trichet, governor of Bank of France**

VIEW FROM AMERICA

# Policymakers are seen as complacent

By Alan Beattie, Robert Chote and Stephen Fidler in Washington

In recent months Europe's economic policymakers have been mesmerised by the approach of monetary union. In the eyes of their counterparts elsewhere in the world, they have underestimated the impact of the financial crises that have swept emerging markets over the last 18 months.

Yesterday's decision to cut rates in the core of the euro-zone was interpreted as a sign that the European Central Bank has woken up to the implications of world events for European growth and inflation. But the decision was also seen as reactive rather than proactive – and certainly not as evidence that the ECB aspires to exert global leadership.

Nonetheless, analysts concluded the European rate cuts made looser policy elsewhere more likely. Futures contracts priced in another quarter-point off UK rates next week.

The US Treasury did not comment on the rate cuts. But the move is likely to be welcomed in Washington, where officials were shocked two months ago at the complacency they perceived in Europe over the effects of the Asian and Russian crises on their economies.

Some US officials are fearful of a protectionist backlash should the US emerge next year as the only "buyer of last resort" in the world economy. Indeed, the IMF predicts a big rise in the US current account deficit in 1999 but little shrinkage in the euro-zone's surplus.

Moves to help growth in Europe ease those concerns. Moreover, US officials see the dangers of revived inflation among industrialised countries as minimal.

However, the US Federal Reserve was not seen as likely to change its behaviour because of the European moves. "The US is going to be on a totally independent track," said Richard Medley, of Medley Global Advisors in New York. He said the Fed was content that its own interest rate cuts – it made three quarter point rate reductions in the space of seven weeks to mid-November – were working satisfactorily.

Bundesbank and ECB officials were quick to point out that the cuts had been undertaken with euro-zone considerations in mind. But the moves came at a time when fears have been rising that the worst is not yet over in world financial markets.

Repeated falls in world equity prices this week, together with a setback for fiscal reform in Brazil and continued scepticism about the willingness of the Russian authorities to accede to the demands of the International Monetary Fund, have led to a flight to quality among investors.

The Brazilian Congress on Wednesday rejected a key piece of pensions reform seen as a vital part of the fiscal austerity plan needed to qualify for the IMF's $42bn rescue package. This reawakened fears of an uncontrolled Brazilian devaluation and contagion to other emerging economies.

Rebecca Patterson of J.P. Morgan in London said key indicators suggested a rapid drying up of global liquidity and a return of risk aversion in the past two days.

Options prices showed that the dollar was expected to be much more volatile against the D-mark in the near future, she said. Volatility in exchange rates often arises in markets starved of liquidity because traders are frightened to take positions.

**Decision seen as reactive rather than proactive – not as evidence that the ECB aspires to exert global leadership**

Meanwhile, the premiums demanded by investors to hold riskier assets has increased sharply. The yields of assets issued by US companies relative to those of US Treasury bonds have widened by over 18 basis points in the past five days.

Some analysts said markets had become too complacent, too early, in assuming that the weaknesses in global financial markets had been resolved.

"The markets have been surging up for the past two months, but it was always likely that they would trip over at some point," said James McKay, head of research at Commonwealth Bank in London.

The cuts in European interest rates on their own are unlikely to be enough to soothe investors' nerves. Analysts said the dollar remained vulnerable to more bad news about the global economy.

Brazil quick to draw on IMF credits, Page 7

BANK OF ITALY ANALYSTS QUESTION STRATEGY OF GOVERNOR ANTONIO FAZIO

# Italy stands alone and fails to cut interest rates to 3%

By James Blitz in Rome

Italy was yesterday the only founder member of Europe's single currency which failed to bring short-term interest rates down to 3 per cent, triggering bewilderment in financial markets about the strategy of Antonio Fazio, Bank of Italy governor.

Although Mr Fazio made a half percentage point cut in the Italian discount rate, he pointedly left it at 3.5 per cent. His decision to step aside from the concerted reduction in rates to 3 per cent raised concerns over lack of co-ordination among all the governors in the European Central Bank's ruling council.

Senior officials at the Italian central bank defended Mr Fazio's caution, saying he was determined to ensure that the exchange rate between the lira and the D-Mark on December 31 was 1,990 – the fixed parity agreed for the euro. Mr Fazio is concerned that the parity has occasionally been breached during the financial crisis of recent months.

Bank of Italy officials said they needed to be particularly cautious about a speculative attack on the currency because of Italy's history of political instability. "Other people may shrug their shoulders at what we are doing. They are entitled to their opinions and we are entitled to ours," he said.

However, yesterday's events underline suggestions that Mr Fazio may emerge as the odd man out in the new ECB council. "After the hell that Italy has gone through over the last three years getting into the euro, I am at a loss to know what Fazio thinks can possibly happen to the lira between now and Christmas," was the view of one Milan-based analyst.

Mr Fazio was elected Bank of Italy governor for life and makes monetary policy decisions alone. To the anger of ECB officials, he has never made it any secret that he sees the Frankfurt-based institution as a decentralised body whose power is derived from the authority of the national central bank governors on its council. He unfailingly refers to the Frankfurt institution by its looser title, the "European System of Central Banks".

Mr Fazio has made clear the Bank of Italy will come to its own view on European economic developments and is setting up a 50-person department for the study of Europe's economy. The ECB will increase its staff size to 570 by the end of the year. Bank of Italy officials like to point out they have 8,400 people on their books.

# Germany sees spurt in growth

By Ralph Atkins in Bonn

Germany's economy grew faster than expected in the three months to September, official figures yesterday showed gross domestic product was up 2.8 per cent on the same period last year.

The acceleration lifted the labour market, with employment showing the first year-on-year increase since German reunification in 1990, according to statistics from the federal statistics office in Wiesbaden.

The figures highlighted the relative buoyancy of the economy inherited by the new government of Gerhard Schröder, chancellor, despite the difficult world economic backdrop.

Growth in the year to the third quarter was powered by strong investment in plant and machinery, which jumped 8.9 per cent.

Private consumption also picked up, rising 2.2 per cent on the same period a year before.

But export growth slowed markedly, rising only 3.1 per cent – compared with year-on-year rates of 11.0 and 6.7 per cent in the first and second quarters respectively.

East Germany lost further ground. In the third quarter, GDP in the east was 1.7 per cent higher than the same period a year before. That compared with a 1.8 per cent year-on-year increase in the first half of 1998. Between the second and third quarters, pan-German GDP rose by 0.9 per cent. Analysts had expected an increase of about 0.7 per cent.

WORKING COMMITTEE DECREE MOVE IS LIKELY TO LOWER THE INTEREST RATE ON TAX-FREE SAVINGS INSTRUMENT AS PART OF WIDE-RANGING PROGRAMME FOR FINANCIAL REFORM

# France sets scene for ending 'Livret A' near-monopoly

By Samer Iskandar in Paris

The French government yesterday set the scene for ending a near-monopoly over the so-called "Livret A", the tax-free savings instrument held by almost 50m French citizens.

The move, likely to lower the interest rate available from tax-free savings accounts, is part of a wide reform programme for the French financial system.

The government has published a decree creating a working committee to set state-controlled interest rates. The aim is to answer complaints from private banks that the "Livrets A" have drained funds away from riskier, but more productive, investments.

The finance ministry said the nine-strong committee – chaired by an academic and comprising bankers, borrowers and financial experts - would ensure a "balance between fair remuneration of the people's savings and efficient funding for social housing and small and medium-sized companies".

Rates set by the government offer retail investors risk-free and tax-free high real returns on savings. Bankers say the "Livret A" gives an unfair advantage to the state-controlled post office and savings bank Caisse d'Epargne.

The two institutions manage respectively 20m and 26m "Livret A" accounts, more than France's adult population. At the end of the third quarter, the Caisses held some FFr430bn ($75.4bn) of "Livret A" deposits.

The committee's appointment is expected to result in lower rates on the "Livret A", currently 3 per cent, in the near future. The government has pledged the rate would remain at least one percentage point higher than consumer price inflation.

Successive governments have claimed the "Livret A"'s public service mission justifies its quasi-monopoly for tax-free savings. Deposits are channelled through the Caisse des Dépôts et Consignations, another state institution, to finance cheap social housing.

The government this week adopted proposals by Dominique Strauss-Kahn, economics and finance minister, to turn the Caisse d'Epargne into a co-operative. A new asset class, "co-operative investment certificates", would be sold to the Caisse's "clients" (depositors and borrowers), who would then become its "owners". Employees will also be offered a stake.

One French banker yesterday said the reform was "a step in the right direction" but stopped short of removing distortions in the banking market. With its unique status (it describes itself as "having no owners"), the Caisse's network of 4,200 branches and 1,000 other outlets has grown to be France's second biggest bank, with more than FFr1,400bn of deposits.

A centralised agency, the Caisse Nationale des Caisses d'Epargne, is to be created as an umbrella organisation. Regional branches would control some two-thirds of its capital. Caisse des Dépôts, which manages a large proportion of the Caisses' deposits, would control 30-35 per cent.

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# US urges return of property stolen by Nazis

Central and east European countries condemned for 'lukewarm commitment' over Jewish and other religious community assets nationalised by communist governments after the end of the war

By John Authers and Richard Wolffe in Washington

The US government yesterday condemned the "lukewarm commitment" shown by several central and east European countries to the return of Jewish and other religious community property confiscated by the Nazis.

Stuart Eizenstat, US undersecretary of state, said: "The return of this property is very important for countries that wish to become part of the western family of nations. There is an urgency because we want to encourage the re-emergence of religious communities - Jewish, Catholic, Protestant and Orthodox - after four decades of the cold war."

Speaking at the end of a three-day conference on holocaust-era assets attended by 44 nations in Washington, Mr Eizenstat urged delegates to resolve the complex issue of communal property - synagogues, hospitals and schools - "in an equitable, transparent, non-discriminatory and expeditious manner".

His comments came as it became clear that the numerous issues surrounding assets confiscated by the Nazis, such as art and insurance, will still not be resolved for a matter of years.

Naphtali Lavie, vice-chairman of the World Jewish Restitution Organisation, said: "Most of these properties after 50 years have been abandoned or taken over by other people. We aren't going to ask anyone to be removed from an apartment or a business where they were put up by certain authorities. But we do expect those authorities to deal with us about compensation or restitution for that building or household."

He said there were more than 6,000 communal properties in Poland alone which were being claimed by the organisation.

The conference also hammered out a broad set of 11 principles for returning to their owners artworks looted by the Nazis. This will involve the setting up of a huge internet data-base and will require all museum curators to assess their collections for looted art.

The most dramatic intervention on art came from the Russian delegation, which made a symbolic presentation of documents from its archives which had been previously kept closed, and said it foresaw no legal obstacles to the return of art to Nazi victims. Many artworks held in Russia are considered trophies in place or art destroyed by Nazi troops, and was taken by Red Army troops from occupied Europe.

However, the conference still left many issues unresolved. Mr Eizenstat said he would attempt to merge the International Commission, chaired by Lawrence Eagleburger, a former US secretary of state, with the class action litigation which has already been started against European insurers in the US. He said the final amount which would be paid by the insurers would be a "rough justice" figure.

Israel Singer, secretary general of the World Jewish Congress, said: "Some in the US said this conference was going to be the end of it. It's not."

By the end of the conference, Lord Janner, the former British Labour Member of Parliament, had proposed a new conference on artworks be held in Austria, while the World Jewish Restitution Organisation invited all delegates to a conference in Israel net year.

Poland was volunteering to organise a conference on the issue of communally held Jewish property which was seized by the Nazis, and then in many cases nationalised by communist governments. This is probably the single most important holocaust-era problem for Poland, Hungary, the Czech Republic and Austria, which all had big Jewish communities before the war.

Switzerland – whose delegates seemed most relieved no longer to be the centre of attention – proposed an international conference on how to deal with anti-semitism on the internet. Sweden will host a conference on holocaust education.

Many Jewish groups seemed angry that forced slave labour in concentration camps, an issue over which a range of German and American industrial groups are being sued in class action lawsuits in the US, was not on the agenda.

Graham Bowley adds from Frankfurt: A Cologne court yesterday rejected claims made by former Nazi-era forced labourers for compensation from the German government. The German finance ministry said the decision showed the German federal republic had no legal responsibility for prisoners forced to work in factories during the Third Reich.

The ruling follows separate claims made by former prisoners against German companies. Although it had no direct obligation to the prisoners, the ministry said yesterday the government was supporting efforts by companies to set up an independent foundation to compensate former slave labourers and that a solution should be reached soon.

ANGLO-FRENCH SUMMIT FRANCE WANTS TO DEFUSE EU TAX HARMONISATION DISPUTE

# Chirac seeks to soothe UK

By Robert Graham and Andrew Parker in St Malo and David Wighton in London

Jacques Chirac, French president, was seeking to help defuse the growing dispute between the UK and other members of the European Union over tax harmonisation in talks that began last night at the Franco-British summit.

Mr Chirac is anxious to prevent Tony Blair, British prime minister, becoming isolated within Europe over a dispute that has led the new German government to back not only tax harmonisation but also the introduction of majority voting in the EU on the issue. Both are firmly opposed by the UK. Robin Cook, the UK foreign secretary, re-affirmed his government's opposition in parliament yesterday. "There is no majority for the harmonisation of tax rates in Europe, never mind the unanimity which would be required for any action. Nor is the need for unanimity going to change," he said.

The dispute over introducing majority voting for tax issues burst into the open earlier this week at a meeting of EU finance ministers. First, Oskar Lafontaine, German finance minister, and then Dominique Strauss-Kahn, his French counterpart, said they personally favoured dropping the unanimity rule for tax issues.

Fiscal harmonisation was originally low on the list of matters for discussion at the Franco-British summit, which began with two hours of talks last night in the port city of St Malo in north-western France. But the bitter internal debate in Britain over tax risks clouding what was planned to be the central aspect of the summit: defence co-operation.

As Mr Blair arrived last night, his official spokesman denied the summit would be overshadowed. Insisting the summit would focus on defence-related issues, he said: "We are going to show that over the last 18 months we have transformed relations with France. They are extremely good and strong."

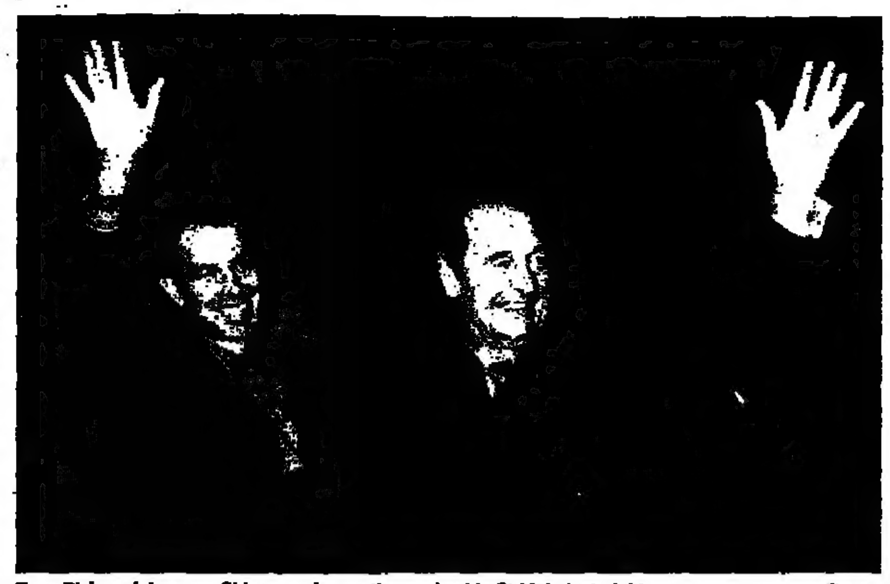
Mr Chirac wants to encourage Mr Blair's moves to bring Britain closer to Europe and his avowed aim of joining the euro. He also wants to calm the majority vote debate because it threatens to spill over into the French parliament at a time when it is due to ratify the Treaty of Amsterdam. The debate, involving the transfer sovereignty over the movement of persons to Brussels, promises to be tough.

"Tax matters go to the heart of the traditional role of parliaments, especially in the UK, and any move to introduce majority voting on the issue in the EU can only be taken after considerable reflection," a French official said yesterday.

The French also believe the German government of Chancellor Gerhard Schröder is moving too fast, without giving due consideration to the position of the Bundestag or that of the *Länder* or regions.

However, the cautious views of Mr Chirac are not wholly shared by the government of Lionel Jospin, which is keen to build a new relationship with the six-week-old Schröder administration.

Nevertheless, both Mr Chirac and Mr Jospin accept that the advent of the euro necessarily imposes a greater degree of harmonisation of the 15 EU members' tax regimes, not least to prevent "fiscal dumping". Britain, they say, must also digest this reality.



Tony Blair and Jacques Chirac waving as they arrived in St Malo last night Reuters

# MEPs in call for uniform salaries

By Neil Buckley in Brussels

European Parliament members yesterday issued a challenge to European Union governments as they backed proposals that they should all receive a uniform salary and give up their lavish travel allowances in favour of reimbursement of their actual costs.

The move is an attempt to shed the "gravy train" image which some MEPs fear is undermining the institution's image barely six months before next June's EU-wide elections to the parliament.

But EU governments must now back the plan to introduce a "statute" harmonising MEPs' pay and conditions, and several are understood to be reluctant.

They fear that paying MEPs a uniform salary - instead of the same rate as members of their respective national parliaments - could provoke a backlash from national parliaments.

The proposed changes are expected to be presented to EU leaders at their summit in Vienna next week.

The current system results in wide disparities between the pay of MEPs. The lowest-paid, from Spain, earn Ecu33,900 ($39,000) a year - less than a third of the Ecu115,600 earned by their Italian counterparts in the same job.

Under the new plan, MEPs would earn a uniform annual salary of about Ecu68,000 wherever they come from.

The system of generous, distance-based travel allowances would also be replaced by reimbursement of actual expenditure, up to the cost of a first-class train ticket or business class air fare, on presentation of receipts.

The EU's spending watchdog found that the old system resulted in MEPs receiving 30 per cent more in travel allowances last year than if they had flown on every journey in business class.

ELF AQUITAINE EUROPEAN COMMISSION WANTS PARIS TO SCRAP SPECIAL PROVISIONS DESIGNED TO BAR A TAKEOVER BY A FOREIGN COMPANY

# Brussels urges France to scrap share restrictions

By Emma Tucker in Brussels

The European Commission yesterday stepped up pressure on the French government to scrap special provisions designed to bar foreign companies from taking over *Elf Aquitaine, France's* biggest oil company.

Brussels said "golden share" restrictions on investment, which seek to keep Elf Aquitaine in French hands, broke European Union single market rules on the free movement of capital. These prohibit countries from discriminating against investors from other EU member states.

France will be sent to the *European Court of Justice* within two months unless it drops the measures.

The controversial Commission announcement - opposed by France's two commissioners in Brussels - comes amid a wave of large oil company mergers and is likely to anger the French government.

Last week, Elf failed in its bid to take over Petrofina of Belgium, which only days later announced a deal with Elf's French rival, Total. Elf has also been linked with Conoco of the US.

The Commission said the provisions - justified by the French as necessary for protecting national interests - were too restrictive and not based on any objective criteria. It started an action against France earlier this year but decided to take the next step in legal proceedings after a letter from the French finance minister in July failed to answer its objections.

Mario Monti, the Italian commissioner in charge of the single market, has cracked down on similar legal arrangements in the UK and Italy. This forced a change to the UK's 1975 Industry Act, which prohibited changes in control of important manufacturing companies where this would be contrary to the national interest.

Although the provision was never applied, the UK amended the law to bring it into line with the EU treaty. Golden share arrangements used in the privatisations of companies such as British Gas and BP were looked at, but not challenged, by the Commission.

In Italy, Brussels has doubts about the privatisations of Stet, the holding company for Telecom Italia. The Italian government is currently working on new legislation.

# Serb minister attacks US over Milosevic criticism

By Guy Dinmore in Belgrade and Stephen Fidler in Washington

A leading Serb nationalist and government minister yesterday compared the US administration with the Nazis of the 1930s, in response to a tough new line from Washington that portrays Slobodan Milosevic, Yugoslav president, as an obstacle to peace in the Balkans.

"The current US administration behaves in the same way as Adolf Hitler in the 1930s... and then the concentration camps followed," Vojislav Seselj, a deputy prime minister and leader of Serbia's ultra-nationalist Radical party, told a news conference. "They are criminally destroying whole peoples and countries."

Mr Seselj was responding to an attack on Mr Milosevic by James Rubin, State Department spokesman, whose blunt remarks were interpreted by some analysts in Washington as a hardening of US policy towards the regime in Belgrade.

Mr Rubin said on Monday that Mr Milosevic had been at the centre of every crisis in former Yugoslavia over the past decade. "He is not simply part of the problem. He is the problem. We have no illusions about Milosevic and do not see him as a guarantor of stability," Mr Rubin said, referring to the latest Balkan conflict in Serbia's Kosovo province.

A purge by Mr Milosevic of his security forces "smacks of desperation and distrust", Mr Rubin said. Commenting the next day on reports that the US wanted Mr Milosevic out of office, Mr Rubin stated: "I don't think we would lose any sleep if he passed from the scene."

In contrast to the colourful rhetoric of Mr Seselj, a former paramilitary leader whose anti-American views are well known, Mr Milosevic's own Socialist party was restrained in its response to Mr Rubin.

"It's nothing new," Ivica Dacic, Socialist party spokesman, told reporters. But he also accused the State Department of being "one-sided and hypocritical" for maintaining contact with the ethnic Albanian Kosovo Liberation Army, which Belgrade denounces as a "terrorist" force.

Despite the verbal broadsides, it was business as usual for Chris Hill, US mediator, who is trying to bridge the gulf between Kosovo's ethnic Albanian majority and the Serbian government. Mr Hill presented Milan Milutinovic, the Serbian president and a close ally of Mr Milosevic, with the latest US draft peace plan that would return substantial autonomy to Kosovo. A US source described the meeting as "business-like" but admitted this week's sparring had not made Mr Hill's job easier.

As the two men met in Belgrade, Serbian officials said border guards had killed eight armed Albanians trying to cross a mountain pass into Kosovo. The casualties were the heaviest inflicted on the KLA since an informal ceasefire, punctuated by sporadic clashes, began two months ago.

With the KLA still smuggling arms and men into Kosovo from neighbouring Albania, there are growing fears that war will resume in the spring if Mr Hill cannot clinch a lasting settlement.

Diplomats in Belgrade see the US as applying pressure on Mr Milosevic to compromise over Kosovo. But despite Mr Rubin's assertions that "his grip is weakening", they doubt whether Washington or the fragmented Serbian opposition has the ability to replace his regime in the near-term.

# EU and US negotiators squabble over timetable for banana talks

By Neil Buckley in Brussels

The US and European Union yesterday each implored the other to show more flexibility in their bitter dispute over the EU's banana import regime in an attempt to stop the row escalating into a full-scale trade war.

The public appeals followed the breakdown of talks aimed at agreeing a timetable for a World Trade Organisation panel to judge the dispute, but they could scarcely conceal the frayed tempers on both sides.

As tensions continued to run high, US negotiators first proposed and then last night withdrew from a new meeting with EU officials and WTO arbitrators in Geneva today.

At issue is whether the EU has complied with a WTO ruling last year which found the banana import regime discriminated unfairly in favour of former EU colonies among African, Caribbean and Pacific countries, and against Latin American producers.

The US, which brought the complaint, says changes made by the EU do not go far enough, and has threatened unilateral sanctions unless it undertakes a more fundamental revamp.

Washington has called for an accelerated WTO panel to consider the dispute and deliver its verdict by mid-January. It says the entire procedure, including a subsequent appeal and arbitration, should take no longer than 90 days.

Brussels says this timetable is dictated not by WTO rules, but by the US trade law underpinning Washington's sanctions threat. It says the US wants to complete the process by March 3 – the self-imposed deadline for enforcing sanctions.

Sir Leon Brittan, the EU trade commissioner, insisted yesterday Brussels was ready to co-operate in an accelerated panel, but the shortest possible timeframe under WTO rules was 170 days.

He added that this was far shorter than the 449 days required for a conventional procedure – and only weeks longer than the US timetable.

Appealing to the US to take a "broad view," he added: "It cannot be right to jeopardise relations between Europe and the US because you get an answer a few weeks later than you wanted."

He insisted Brussels had been offering an accelerated review since September. Sir Leon also questioned why, if Washington was anxious to settle the matter quickly, US negotiators recently took four days off for the Thanksgiving holiday.

"I hope they enjoyed the turkey and pumpkin pie," he added.

The US mission in Brussels in turn urged the EU to reconsider, saying that accepting Brussels' slower timetable meant losing its legal right to ask the WTO to authorise US sanctions if the EU failed to comply. Under WTO rules, it added, such authorisation had to be requested before the end of January.

The US has published a provisional list of punitive sanctions on EU products, including items ranging from cheese and wine to ballpoint pens and vacuum cleaners. It plans to publish a narrower, definitive list on December 15.

Leon Brittan at a press conference yesterday: US and EU 'only weeks apart' on time allowed for settling dispute Reuters

**WTO FORECAST** STRONG DOLLAR BLAMED FOR FALL IN VALUE OF MERCHANDISE TRADE □ PICK-UP EXPECTED IN 1999 □ JAPAN'S RECESSION CLOUDS PROSPECTS

# Rate of international trade growth likely to halve

By Frances Williams in Geneva

Growth in the volume of world trade will more than halve this year to 4-5 per cent from last year's historically high 10 per cent, but could pick up slightly in 1999, the World Trade Organisation predicts in its latest annual report*.

Global merchandise trade by value, which rose 3 per cent in 1997 to $5,300bn, is expected to decline this year because of tumbling commodity prices and the strong dollar, which reduces the value of trade in other currencies.

Some recovery in commodity prices and a halt to dollar appreciation should lead to value growth outstripping volume growth of trade in 1999, according to the WTO's economists.

In common with other international institutions, the WTO admits to over-optimism earlier this year when it foresaw world trade expanding in volume terms by 7-8 per cent in 1998.

The prolonged recession in Japan, and the contagious impact of the crisis in provoking capital flight from other emerging economies, have forced the latest downward revision and clouded the outlook for 1999.

Though the WTO's economists concur with the Organisation for Economic Co-operation and Development (OECD) in projecting slightly higher trade growth next year, the risks are seen as preponderantly on the downside. Thus the forecast assumes economic stabilisation and recovery in Asia next year with only a modest slowdown in activity in the US and western Europe.

In particular, the WTO is worried about the sustainability of the US import boom, heavily financed on credit, if there is a a sharp downturn in western share markets or a significant drop in the value of the dollar.

Both would tend to reduce US import demand, one of the main props to global trade expansion this year. US imports by volume rose 10 per cent year-on-year in the first nine months of 1998, more than twice the world average.

The WTO report says that while governments have in general resisted protectionist pressures up to now, the strains will increase next year as the crisis-hit Asian economies step up export deliveries to kick-start recovery.

Though the five most affected countries – Indonesia, South Korea, Malaysia, Philippines and Thailand – raised export volumes in the first nine months of this year, big currency depreciations lowered the value of shipments by 3 per cent against a year earlier. Over the same period, imports into the five countries fell by a third in dollar terms.

While there is no significant evidence of market-closing measures among WTO members, there has been some tightening of trade defences by a few countries, the report notes.

WTO officials cite the US, Brazil, Mexico and Australia as toughening anti-dumping or anti-subsidy rules and note pressures in the US and EU among others to block "unfair" imports in sectors such as steel and textiles.

The detailed 1997 trade figures show that office and telecommunications equipment, including computers, semiconductors and consumer electronics, continued to be the most dynamic product sector, as it has been throughout the 1990s.

On the services side, the fastest trade growth was seen in financial services, construction services and computer and information services, which rose by more than 6 per cent in dollar terms. However, total exports of commercial services rose by just 3 per cent to an estimated $1,310bn.

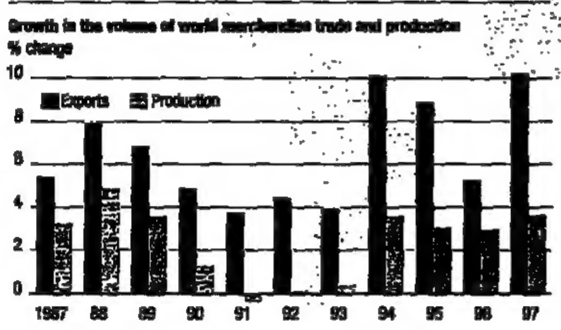
This was well below the 8 per cent annual average growth rate for trade in commercial services over the 1990s, but in line with the 1997 rise in the value of world goods trade.

*Annual report 1998, vols I and II. Available from WTO publications, 154 rue de Lausanne, CH-1211 Geneva 21, fax +41 22 739 5458, email publications@wto.org. SFr75.*

Growth in the value of world exports by major product groups* 1990-1997

| | Value ($bn) 1997 | Annual average % change 1990-1997 | % change 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| World merchandise exports** | 5,300 | 7.0 | 19.5 | 4.5 | 3.0 |
| Agriculture products | 580 | 5.0 | 17.0 | 1.5 | -1.0 |
| Mining products | 588 | 3.0 | 18.0 | 13.5 | 1.0 |
| Manufactures | 3,827 | 7.5 | 19.0 | 3.5 | 4.0 |
| World exports of commercial services | 1,310 | 8.0 | 15.0 | 6.5 | 3.0 |

Growth in the volume of world merchandise trade and production
% change



Export prices of primary commodities, 1995-98
% change

| | 1995 | 1996 | 1997 | 1998 Jan-Mar | 1998 Apr-June |
|---|---|---|---|---|---|
| Food, beverages and tobacco | 8 | 6 | -3 | -8 | -16 |
| Cereals | 17 | 28 | -25 | -16 | -17 |
| Oil seeds, oils, fats, cakes and meals | 6 | 11 | 6 | -7 | -12 |
| Meat | -17 | 1 | 4 | -9 | -11 |
| Coffee | 2 | -24 | 36 | 5 | -33 |
| Agricultural raw materials | 5 | -4 | -8 | -18 | -23 |
| Minerals and non-ferrous metals (excl. petroleum) | 10 | -11 | 3 | -13 | -15 |
| Non-ferrous metals | 23 | -16 | 4 | -18 | -21 |
| All non-fuel primary commodities | 8 | -1 | -3 | -12 | -18 |
| Crude petroleum | 8 | 18 | -5 | -33 | -26 |
| All primary commodities | 8 | 3 | -4 | -17 | -20 |

* The statistics for exports of commercial services and for exports of merchandise are not directly comparable primarily because the former are taken from balance-of-payments statistics and the latter from customs statistics

** Including unspecified products

Source: WTO

# Private Indian internet provider logs on

By Mark Nicholson in New Delhi

India's first national private internet service provider has signed up 1,500 clients in its first week and expects 100,000 users within a year. It expects to capture 10 per cent of the 2m Indian users expected within two years.

Satyam Infoway, a wholly-owned subsidiary of Satyam Computer Services, a Hyderabad software company, made the forecast as it launched services yesterday in Delhi. It is the first private player to challenge the state internet monopoly since access was liberalised on November 6.

Satyam became the first private ISP to go online late last month and is the first of 25 companies awarded licences to offer a national service in competition with VSNL, the state international telecoms carrier which introduced commercial internet access to India in 1995.

VSNL has sold around 150,000 net connections in three years, but has suffered criticism for line congestion and poor customer services. Indicative of the growing competition in internet services, VSNL announced a 30 per cent cut in internet tariffs. VSNL is now offering new subscribers a 500-hour package for Rs7,000 ($165), down from Rs10,000.

R Ramaraj, managing director of Satyam, said the company expected to invest Rs400m ($9.4m) to provide local internet points in 40 cities by March and had already established links in 20 Indian towns and cities. Satyam is selling an off-the-shelf CD-Rom connection package.

"We wanted to be early off the block," said Mr Ramaraj. "We anticipate there is a lot of pent-up demand."

Though Satyam will rely on VSNL's international telecoms gateways, the new ISP claims it already has installed capacity to keep the ratio of users to modems around 1-10, compared with 1- 30 for VSNL, for its expected 100,000 users.

The next national challenger to VSNL – licences are available for nationwide, regional and city-based services – is likely to be MTNL, the state-owned fixed line operator in Delhi and Bombay. MTNL is promising to start national services within the next few weeks having also been among the first companies to win an ISP licence from the department of telecommunications.

Industry analysts suggest there will be a rash of licence applications in the early stages of internet liberalisation, with scores of small-town and regional operators mushrooming.

However, most also expect a significant shake-out, leaving only a handful of truly national providers within two or three years.

● India's Bharti Telecom plans to start a range of telecoms services in the Seychelles this month and has invested $25m in the venture. Bharti Global was licensed in July 1997 to provide basic and cellular telephony, radio paging, satellite services, long distance and marine communications.

# US wheat producers eye opportunities in Cuba

By Pascal Fletcher in Havana

US wheat and flour producers, irked at seeing their world market share curtailed by US government economic sanctions, are sizing up the nearby Cuban market in preparation for the day when the US trade embargo against the island is eased or lifted.

Representatives of both the US wheat farming sector and the US agribusiness industry were prominent at a meeting in Havana this week of the Caribbean Millers' Association, which groups regional flour millers, including Cuba.

"There is clearly a desire on the part of US wheat producers to access the Cuban market," said Paul Dickerson, a vice-president of US Wheat Associates, a Washington-based non-profit market development association that represents the export interests of US wheat farmers.

Mr Dickerson said that current US economic sanctions against countries such as Cuba, Iran and Libya meant that just over 10 per cent of the annual global wheat trade of 98m tonnes was "off limits" to US producers, although their market share was still 32 per cent.

Pamela Falk, a Cuba expert at New York's City University who also attended the millers' meeting, said there was growing interest in the US agribusiness sector in selling food to Cuba. "It's seen as something that helps both the Cuban people and US farmers," she said.

Participating in the meeting were representatives of Caribbean subsidiaries and affiliates of US corporations such as Archer Daniels Midland (ADM) and Continental Grain. Both are known to be actively lobbying the US government to ease its embargo policy towards communist-ruled Cuba. A representative of the American Bakers Association also attended.

Opponents of unilateral US sanctions in the US agribusiness industry strongly supported efforts this year in the US Congress to introduce legislation that would ease the current embargo policy to allow sales of US food and medicines to Cuba. Although these efforts have been unsuccessful so far, they were expected to be repeated in the next congressional session.

The time seemed ripe, Mr Dickerson said, to get to know Cuba's market better. He estimated its current size at more than 1m tonnes a year of wheat and flour, by far the biggest in the Caribbean.

He added that as a goodwill gesture to the people of Cuba, US wheat farmers had sent a second 20-tonne container of wheatflour, milled in the Caribbean from donated US wheat, to the Catholic charity Caritas on the island.

# US and Canada call a truce as farm trade tensions grow

By Edward Alden in Toronto

The US and Canada are expected to announce as early as today an agricultural trade agreement aimed at defusing tensions that earlier this year led to a blockade by several US states against Canadian grain and livestock imports.

But the agreement is unlikely to halt growing bilateral agricultural trade tensions, which have been exacerbated by plummeting prices for wheat and livestock on both sides of the border.

Canadian officials said yesterday there were still a handful of issues outstanding after two days of negotiations in Washington, but these are expected to be resolved in time to meet a previously set deadline on Monday.

Farming groups in several border states such as North Dakota and Montana have threatened to launch new blockades against Canadian exports this weekend.

The agreement is expected to take several steps to reduce Canadian sanitary and phytosanitary restrictions on the sale and movement of US grain in Canada.

One likely measure would improve access to the Canadian rail system for US grain being moved through Canada for export from US west coast ports. Canada currently requires such "in-transit" shipments to be certified, but is considering lifting that restriction.

In addition the two sides are discussing a pilot programme to ease the entry into Canada of US wheat certified disease-free. Canada has also said that it is willing to recognise that certain US regions are free of the diseases, karnal bunt and TCK, which would eliminate the need for direct Canadian inspection.

The US has also asked for an expanded audit of all the activities the Canadian Wheat Board, the government central selling agency handling Canadian grain exports. US farmers have long charged that the Wheat Board's lack of transparent pricing allows Canada to sell grain below cost in the US market.

Some US senators have already made it clear they will not be satisfied by such an agreement. North Dakota Senator Byron Dorgan has asked the US Trade Representative's office to initiate trade action against what he charged was dumping of Canadian grain into the US market.

"The central problem is that Canada is flooding the US market with unfairly traded grain and livestock," he said. "They're not even talking on the right subject."

Canada has refused to discuss any volume restraints on exports to the US of wheat or livestock.

Canada and the US are also in the midst of a second escalating trade dispute over Canadian restrictions on the sale of US magazines.

The Canadian parliament is close to passing a law that will subject Canadian advertisers to fines if they advertise in so-called split-run magazines, which are separate editions of foreign publications aimed at Canadian readers and designed to attract Canadian advertising dollars.

Canada says the new measure will comply with a World Trade Organisation ruling on the issue last year. But the US charges that the new law will maintain current restrictions, and is planning retaliatory sanctions if the measure becomes law.

INTERNATIONAL

# Court success for KIO in $450m fraud case

By John Mason, Law Courts Correspondent, in London

The Kuwaiti Investment Office yesterday won a significant victory in its legal bid to show that its former senior management defrauded it of $450m through its Spanish subsidiary Grupo Torras, after a number of Swiss banks disclosed fresh information about the whereabouts of more than $100m of the missing money.

Documents from banks, including Lombard Odier, indicated that $97m of the disputed money was paid into a Geneva account in the name of Sheikh Fahad Mohammed Al Sabah, the former KIO chairman.

The disclosure of the documents to the High Court in London also led to Fouad Jaffar, the former deputy chairman of the KIO, in effect agreeing to a $15m judgment being brought against him in the future.

Mr Jaffar, who had denied the KIO's claims that he had fraudulently removed funds from the investment company, then dismissed his lawyers and walked out of the trial. However, the KIO is to continue its claims against him and he could be found liable for further substantial sums in his absence. Mr Jaffar's lawyers said he was now considering declaring himself bankrupt but was facing the future with "considerable fortitude and characteristic optimism".

The KIO is suing more than 50 individuals and companies over the disappearance of $450m through Grupo Torras in the late 1980s and early 1990s. Grupo Torras spearheaded an extensive investment drive by the KIO in the late 1980s before it went into receivership in 1992 owing $2bn.

The individuals being sued include Sheikh Fahad, Mr Jaffar, Sheikh Khaled Naser Hamoud Al Sabah, a former KIO deputy general manager, and Javier de la Rosa, a Catalan financier who headed the Spanish subsidiary.

According to the fresh documentation provided by the Swiss banks, $75m was transferred into an account held by Sheikh Fahad at Lombard Odier, one of Switzerland's top private banks. The money is thought by the KIO to be part of $300m removed from Grupo Torras in October 1990 as part of a transaction named "Pincinco". A further $22.5m transferred to the same account is thought to have been part of another $100m removed from Grupo Torras in June 1990 as part of a transaction called "Oakthorn".

The account at Lombard Odier was closed and transferred to the New York bank Brown Brothers Harriman in January 1993, shortly after investigations began into the collapse of Grupo Torras.

Sheikh Fahad is due to give evidence on Monday using a video link from his home in the Bahamas. After the disclosure of the documents, the trial judge, Mr Justice Mance, has ordered him to swear a fresh affidavit on his version of events.

Sheikh Fahad has previously argued that he understood the money from the Pincinco transaction was spent making secret payments to foreign countries and individuals to secure their political support during the Gulf war after Iraq invaded Kuwait.

A judgment for $350m was made against Mr de la Rosa earlier in the trial. He has not appeared in court and is not legally represented.

World-wide Mareva injunctions, which freeze any assets, are in place against most defendants to secure assets the court rules the KIO is entitled to.

**LOCAL ELECTIONS** MILITARY LEADER TELLS ARMY: COUPS ARE 'NO LONGER FASHIONABLE'

# Nigeria's first test on road to democracy

By William Wallis in Port Harcourt

Tomorrow's local elections in Nigeria will be crucial in determining the credibility of the move to democracy in a country ruled by the military for all but 10 of its 38 years of independence.

In that time there has been only one successful democratic election, in 1979, but numerous military coups. Of the last two attempts at elections, one was annulled five years ago by the army while the other, a discredited version under the late General Sani Abacha, was cut short by his unexpected death in office last June.

Abdulsalami Abubakar, the reform-minded head of state who replaced him, has promised an unimpeded return to civilian rule this time and constantly urged the army to stay out of politics in future.

In one of his most strongly worded speeches since assuming power, Gen Abubakar this week told his armed forces that coup making had long ceased to be fashionable "and any one of you who has not come to terms with this reality is only engaging in self-delusion".

While the openness with which Gen Abubakar has conducted government affairs to date has inspired hope for the promised handover to a civilian rule next May, the logistical immensity of the task and the re-emergence of familiar politicians found wanting in the past could undermine the poll. Furthermore, there were widespread reports of fraud during voter registration in October.

Acknowledging this, officials from the Independent Electoral Commission (INEC) have warned that communications problems and fuel shortages could provoke chaos on polling day.

"More than 50m people have been registered but I have a strong suspicion that quite a good number are fictitious names because of the malpractice that marked the registration process," Justice Ephraim Akpata, the INEC chairman, said in a recent interview with This Day newspaper.

He also said the threat of violence, in particular in the southern oil-producing regions where warring communities compete over the location of local government headquarters and the allocation of scant funds, could prove overwhelming for electoral officials.

"There is no doubt there are some flashpoints where it will be very dangerous and risky for us to send our men," he said.

In the four months since Gen Abubakar authorised the formation of political parties, nine have been registered. Only three are expected to get sufficient votes nationally to qualify for legislative and presidential elections due in February.

The intention of two parties, the All People's party and the People's Democratic party, dominating the scene so far, has been to create a broad coalition in the style of the Indian Congress party, and with the clout to stave off the threat of army coups.

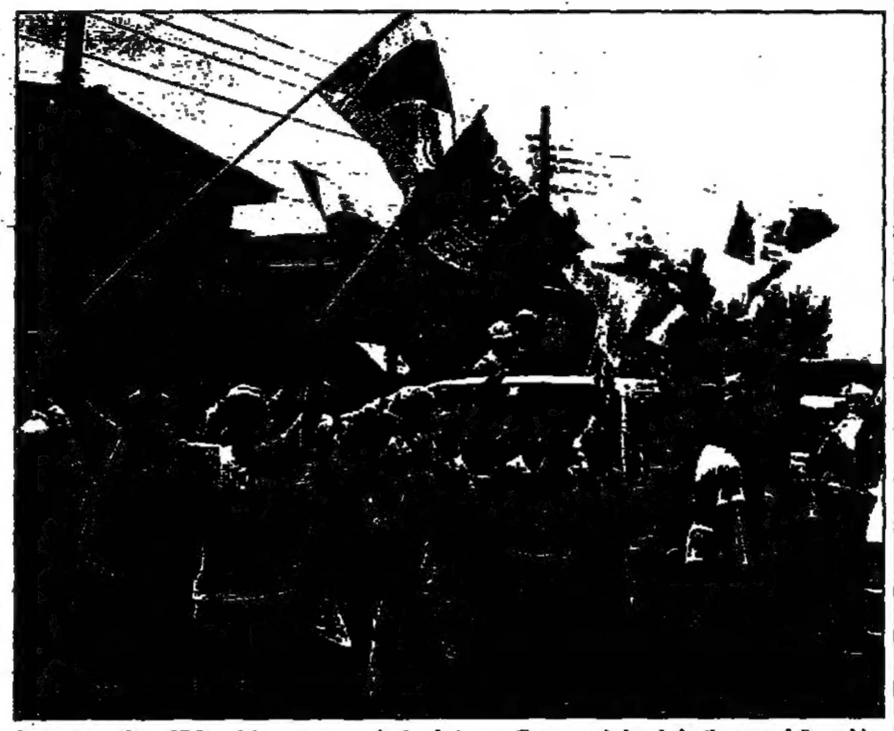
Both parties are expected to qualify comfortably. Last minute changes to the electoral regulations should also allow the Alliance for Democracy, a party dominated by the Yoruba ethnic group that advocates radical change and devolution, to get through, should it win support in the restive south-west of the country.

The complications of creating a party with national appeal in a country as divided and decayed as Nigeria, has meant that personalities rather than policies have dominated the campaigns.

This has inspired scepticism among commentators who have questioned whether some familiar politicians are any better placed now to curb corruption, relieve the country's crippling debt burden, and launch a new united Nigeria as they were when participating in past military governments.

"The politicians see the political parties as a stock exchange where they can buy shares in the leadership," remarked a bystander at a recent party rally. "Like all shareholders they expect regular dividends."

On cue, parties have been mired in rows over the funding of their campaigns, and stretched to breaking point by regional and personal ambitions for the presidency.



Supporters of the All People's party campaigning in Lagos. Tomorrow's local elections are followed by legislative and presidential ones in February AP

# Annan visit puts spotlight on Lockerbie

UN chief's Libya trip could mean a Pan Am bombing trial in a Dutch court, and an end to sanctions, reports **Roula Khalaf** – but expectations are being played down

Kofi Annan, the United Nations secretary-general, makes a delicate trip to Libya tomorrow amid hopes of Libyan readiness to surrender two suspects charged in the December 1988 bombing of a Pan American flight over the Scottish village of Lockerbie.

Mr Annan, on a tour of North Africa, yesterday confirmed plans for the Libya visit and said he would be meeting Muammer Gadaffi, the Libyan leader, to "look at solutions to the problem".

As the 10th anniversary of the bombing approaches, UN officials said Mr Annan's decision to undertake the mission suggested he had good chances of success, but they warned against raising too much optimism. Mr Annan's legal team has been engaged in recent weeks in providing clarifications to the Libyans on their objections to the trial.

Western diplomats said yesterday Mr Gadaffi had been signalling he might be ready to hand over Abdul Basset Ali al-Megrahi and Lamin Khalifa Fhimah, the accused intelligence officers, to be tried in a Dutch court by Scottish judges. But they also warned that the Libyan leader was unpredictable.

He was, for example, quoted earlier this week as demanding that the US and Britain drop conditions set for the trial.

Last July, the US and Britain agreed to a Libyan proposal that the suspects be tried in a third country, prompting the UN Security Council to vote to suspend six-year-old sanctions imposed on Libya when the two men are handed over. The sanctions, which ban travel, arms sales and some purchases of oil equipment, would be permanently lifted once Tripoli co-operated with the court's demands for witnesses and evidence.

Mr Gadaffi has agreed to the move in principle but he has demanded clarification of a number of issues. The main sticking point has been a Libyan insistence that, if found guilty, the two accused should serve their sentences in a third country, not in Scotland.

The British Foreign Office said yesterday it hoped Mr Annan could persuade Mr Gadaffi to surrender the suspects. "Kofi Annan fully recognises that the US-British plan is non-negotiable... the best we can hope for from Saturday's meeting is official notification that Gadaffi is prepared to hand over the suspects," said a spokesman.

A UK official said yesterday no compromise would be made on the Scottish jail. However, he said assurances had been given to Libya that the suspects, if imprisoned, would have access to Libyan diplomats and their religious needs would be catered for.

Earlier this week, Robin Cook, UK foreign secretary, told a newspaper in the United Arab Emirates that comprehensive answers to Libyan requests for clarifications had been provided. "These answers show that we have no hidden agenda and that what we have proposed is fair and workable," he said. "It is... in Libya's interest to meet its obligations, but I cannot prejudge their response."

Libya has also asked that sanctions be immediately lifted rather than suspended when the suspects are surrendered, and it has objected to plans for a trial in a military base. The Dutch government has decided to hold it in a former US Air Force base.

**INDONESIAN POLITICS** MANY FEAR VIOLENCE MAY MAR GENERAL ELECTIONS SET FOR JUNE 7 AND A PRESIDENTIAL POLL ON AUGUST 29

# Jakarta sets poll dates to assuage critics

By Sander Thoenes in Jakarta

Indonesia's parliament yesterday announced plans to hold general elections on June 7 next year and presidential elections on August 29, but many fear that growing unrest will mar or even prevent the first free vote in many decades.

By committing themselves to specific election dates, President B.J. Habibie and leaders of the five factions in parliament hope to end speculation that they are intent on holding on to power as long as possible. Parliament has yet to adopt new laws on political parties and elections and at least 106 parties have applied for registration, leaving little time for organising an orderly campaign.

Legislators last month rejected an ambitious government proposal to switch from proportional representation to a system dominated by constituency votes. They argued that few parties other than the government-backed Golkar party could organise in every district in time for the polls, while any efforts to amend the proposal would further delay the vote.

Depending on the final version of the election law, the president is to be elected by a consultative assembly of the 550 new members of parliament and 150 delegates appointed either by Mr Habibie or by parliament. Mr Habibie had earlier proposed presidential elections for December 1999 but recently conceded there was no need for such a delay.

Many investors have said they will not consider projects in Indonesia until they know who will take over from Mr Habibie's caretaker government, but it is far from clear whether elections would answer that question.

A recent flare-up of religious and ethnic riots, as well as street battles between protesters and police, have raised concern that Indonesia may descend into chaos either before or, even more likely, during the election campaign.

When only three parties were allowed to run under Mr Suharto's rule, all banned from using religious or ethnic platforms, most election campaigns were marred by violence; now dozens of parties proclaim to represent rival Moslem strands and some have already clashed with Christian groups.

Officials, analysts and diplomats have suggested that associates of former President Suharto, either inside or outside the government and military leadership, have instigated several of the clashes to undermine the position of the chief commander of the armed forces, prevent the elections or even provide an excuse for military rule.

Parliament appears set to deprive the armed forces of most of their 75 guaranteed parliamentary seats and nudge them out altogether in the next term, five years later. Few of Mr Suharto's associates hold any popular appeal although Golkar has retained a powerful network in the regions.

Mr Habibie, meanwhile, yesterday ordered his attorney-general to speed up sluggish investigations into claims of abuse of power by Mr Suharto. Mr Habibie was responding to daily protests by students – including one by more than 1,000 students near his office yesterday – who demand Mr Suharto be tried for corruption and human rights violations.

Many accused Mr Habibie of dragging his heels for fear it would implicate top members of his government.

# Thai premier under fire on IMF promises

By Ted Bardacke in Bangkok

Thailand's opposition said yesterday it would file for impeachment proceedings against the Chuan Leekpai government, adding to the wide range of criticisms of its dealings with the International Monetary Fund.

Arguing that the quarterly agreements with IMF promise legislative changes and therefore must be ratified by parliament, the New Aspiration party, led by Chavalit Yongchaiyudh, a former prime minister, said it would ask the Senate to remove the government for "abuse of power", an impeachable offence under the country's new constitution.

Provided Mr Chuan's coalition remains intact, his government is almost certain to survive an impeachment motion, which requires a three-fifths vote in a combined meeting of the elected parliament and appointed Senate. Impeachment can be subject to a lengthy investigations and several state legal bodies have already said the IMF accords do not need parliamentary scrutiny.

But the opposition move – ironic given that Gen Chavalit's government signed the first two IMF agreements without seeking a nod from parliament – raises the volume of the debate over 11 pieces of market-opening legislation under consideration by parliament. Critics have whipped up nationalist fervour against "IMF-dictated" legislation with claims that they will result the "colonisation" of Thailand.

To help the government resist such criticism – or perhaps giving way to the demands of its star pupil, as some accounts have it – the IMF allowed Thailand to remove a number of specific legislative commitments from its most recent IMF pact, released on Tuesday.

This dramatic reduction in the scope and specifics of the agreement, notably amendments to bankruptcy and foreclosure laws, has heightened jitters among foreign investors who began only recently to plunge back into the Thai stock market.

Yesterday foreign selling on the market left the benchmark index with its sixth straight day of losses, closing 1.5 per cent down. Shares of banks and finance companies, which stand to gain most by the passage of the controversial legislation, fell 3.4 per cent and 4.3 per cent respectively. The baht continued to strengthen with direct foreign investors preparing for a $10.5bn auction of seized finance company assets on December 15.

The finance minister, Tarrin Nimmanahaeminda, said the government "is completely determined to push through the reforms" and said he was drawing up contingency plans if the legislation did not pass in the first quarter of 1999, as targeted.

"We are here to stay to do our work and make Thailand conducive to foreign investment," Mr Tarrin added.

# Malaysia banks 'in urgent need of capital'

By Sheila McNulty in Kuala Lumpur

Malaysia's banking system is in "urgent need" of capital to restore full solvency, Moody's Investors Service said yesterday. The agency also lowered the deposit and financial strength ratings of several banks.

Analysts say the banking system requires M$50bn (US$13.1bn) in fresh capital to eliminate non-performing loans and recapitalise a sector that went into the regional financial crisis with domestic debt at 170 per cent of gross domestic product.

The government has reduced to M$15bn from M$25bn the amount it says is required to remove non-performing loans from the system. Economists expect non-performing loans to account for 30 per cent of all loans when the economic crisis peaks next year.

"The rating agency remains concerned that the Malaysian government's official estimates of the extent of support needed by the banking system is well below what may realistically be required," Moody's said.

But Malaysia is against seeking funds from traditional sources such as the International Monetary Fund. Instead, it has withdrawn its currency from international circulation, imposed capital controls and barred foreign investors in the stock market from repatriating funds for a year.

This has allowed the authorities to put pressure on the fragile banking system to make loans to help the country out of recession without their having to endure the punitive reactions of investors.

Senior bank officials say that they have been told to produce 8 per cent annual loan growth by the end of this year or be sacked, and that the authorities have changed the classification of a non-performing loan to one in default for six months, instead of three, to encourage them.

The authorities have also eased restrictions on lending for property and stocks, two already over-exposed sectors.

At a coming government-sponsored, month-long property sale, banks are to provide loans for as much as 95 per cent of the purchase price for properties priced M$250,000 and less.

"Asset quality, already deteriorating prior to the onset of the country's financial crisis, is likely to decline sharply if the banks are used to rescue or support insolvent and ailing commercial borrowers, or if lending is forced to grow at a time of general economic contraction," Moody's said.

Bankers say few creditworthy borrowers are seeking funds in an economy that contracted 8.6 per cent in the third quarter. Analysts contend that the incentive to lend has been taken away, with maximum lending spread over the base lending rate cut to 2.5 from 4 per cent.

# Taiwan polls test the mood for future relations with China

**James Harding** finds the attractions of reunification are waning for voters

When mainland China votes for its leadership, rows of sombre-suited delegates gather in Beijing's Great Hall of the People to chorus their approval for the Communist party's chosen appointees. In Taiwan, by contrast, elections are something of a fiesta.

The sidewalks of Taipei are decorated with colourful campaign flags. On the streets, campaign convoys of mopeds, vans and jeeps rigged up with loudspeakers blasting feel-good election songs pass through one neighbourhood after another, banging drums and setting off firecrackers as they go. In parks, sprawling night-time rallies complete with light shows, dry-ice and fireworks offer a platform for candidates dressed up in anything from spacesuits to suits of armour.

But the political gulf between Beijing and Taipei is much more than a matter of style. The run-up to elections tomorrow have exposed how on matters of substance the gap between the mainland and the people of Taiwan may be widening.

On the face of it, the elections have not been about the troubled relationship between the island and mainland China, which have been at loggerheads since the Communists swept to power in 1949 and sent the Nationalist army fleeing to Taiwan.

The "three-in-one" elections – for seats to the legislature, for city councils and for the mayor's job in Taiwan's two leading cities – have been fought over local issues such as crime and traffic, spiced up by personal attacks on character and allegations of sexual misconduct.

The most closely followed contest is for mayor of the capital, Taipei. Chen Shui-bian, the city's activist and generally popular mayor for the last four years and leading light of the Democratic Progressive party (DPP), is neck-and-neck with Ma Ying-jeou, the handsome, Harvard-educated lawyer acting as challenger for Taiwan's ruling party, the Kuomintang (KMT). The costly and sometimes dirty fight is for much more than Taipei's city hall.

"The Taipei mayor elections can be ranked as a pre-presidential election," says Andrew Yang, secretary general of the Chinese Council of Advanced Policy Studies in Taipei, suggesting that for both leading parties the outcome will set the tone for the presidential elections in early 2000.

For Mr Chen, a victory would make him the DPP's obvious candidate for 2000 and, therefore, for the first time raise the real possibility of a pro-independence president in Taiwan. On the other hand, Mr Ma carries the hopes of reuniting what has been a viciously divided party in recent years and rebranding it as the choice for the modern, moderate Taiwanese.

Tomorrow's polls – as a test of public sentiment and a signal of the personalities coming to the fore of Taiwanese politics – will also carry weight in Beijing, where Jiang Zemin, China's president, is believed to have made reunification with Taiwan a priority of his leadership. (The mainland has sent an unprecedented number of quasi-official observers to the elections, underlining the level of interest in Beijing.)

For the future of the relationship, though, there are three lessons to be drawn from the campaign itself that may be as significant as the final results.

First, the election campaign has underscored a growing public consensus in Taiwan for *de facto* independence – what politicians call "the *status quo*" but which is clearly a drift towards a separate social and political identity.

Most politicians have flocked to the middle ground that eschews both Beijing's cherished goal of reunification and a unilateral declaration of independence that could enrage China.

Mr Ma, whose party has traditionally subscribed to eventual reunification, is symptomatic of the shift: "Eighty per cent of the people would like to maintain the *status quo*," he said yesterday, arguing there was no reason to declare *de jure* independence. "There is no need for an already independent country to declare its independence... twice."

A small section of the population continues to support reunification, represented by the third candidate in the Taipei mayor race, Wang Chien-shien of the New party. But their marginalisation is signalled by stubbornly low levels of support in opinion polls.

Second, ethnic identity has been one of the main issues in [illegible] elections, reinforcing a sense of Taiwanese identity distinctly separate from the mainland.

The Mandarin-speaking Mr Ma, who was born on the mainland, came to Taiwan as a toddler and has sought greater local credibility by learning to speak passable Taiwanese dialect, blames the Taiwanese-born Mr Chen for sowing division by drawing ethnic distinctions – between himself and Mr Ma, dumplings and pizzas and street dogs and pedigrees.

Mr Ma's response has been to offer an alternative umbrella for Taiwanese patriotism. He says he wants to be called a first-generation Taiwanese – or "a new Taiwanese".

Third, the entrenchment of the democratic process itself offers a blunt reminder of the political distance between China and Taiwan.

Even Taiwan's politicians acknowledge their democracy is far from perfect. Yesterday, DPP activists renewed claims of vote-buying. The two leading parties, particularly the KMT, have both spent many times over the NT$25m (US$770,000) campaign funding limits.

But there is no question about Taiwanese enthusiasm for democracy. On his visit to the mainland in October Koo Chen-fu, Taipei's chief negotiator with Beijing, signalled that democracy was a prerequisite to reunification, pushing that prospect into the distant future. And, in a school hall packed with hundreds of DPP supporters in Taipei this week, one flag-waving fan of Mr Chen had no intention of giving up his democratic rights: "No one wants unification," he said. "You won't find rallies like this in Shanghai."

KMT candidate Ma Ying-jeou (right) has his arm lifted by Taiwan's Vice-President Lien Chan Reuters

# HK acts to boost property market

By Louise Lucas in Hong Kong

Hong Kong is to halve the level of deposits required by home buyers, in a further attempt to boost the ailing property market.

Banks have been restricted to lending 70 per cent of the value of homes, leaving buyers to come up with deposits of 30 per cent or around HK$630,000 (US$81,360) on a typical two-bedroom apartment.

The Hong Kong Monetary Authority, which supervises banks, had resisted pressure to raise the ratio, arguing that the arrangement had protected banks and was one of the factors behind Hong Kong's tiny default rate.

However, Donald Tsang, the government's financial secretary, said yesterday a new scheme would be implemented with the Mortgage Corporation, allowing buyers to borrow up to 85 per cent of the price of property.

The additional 15 per cent would be guaranteed by the corporation, which was set up last year to buy mortgage loans from banks and sell them on as securitised bonds to investors. The Mortgage Corporation will hedge the exposure by taking out insurance.

Mr Tsang said the additional funds would be made only to those capable of repaying – instalments must be less than half of the household income – and speculators need not apply.

The news drove the share prices of the property sector higher yesterday afternoon. But analysts remained to be convinced, seeing it as a sentiment booster with only a short-term effect.

# Sharif fails to satisfy US on nuclear promises

By Stephen Fidler in Washington

Pakistan's prime minister, Nawaz Sharif, ended an official visit to Washington yesterday, with US officials saying his government needed to deliver further assurances over its nuclear programme before US assistance could be further extended.

The US has already eased the sanctions it announced after Pakistan followed India in testing nuclear warheads last May. The US has also said that because of Pakistan's severe financial difficulties, it would back loans from the International Monetary Fund – and associated credits from the World Bank.

Military assistance is still suspended and the US would continue to oppose other loans by the World Bank that are not linked to an IMF programme, which has been agreed in principle.

Bruce Riedel, senior director for near eastern and south Asian affairs at the National Security Council, said Mr Sharif was advised by President Bill Clinton that his authority to suspend the sanctions lasted for only one year. The president "made clear we need to continue to find ways to move forward on these issues".

The US is pushing Pakistan to sign the Comprehensive Test Ban Treaty, to stop production of fissile material and the further spread of nuclear technology, and to show "strategic restraint", by not creating nuclear weapons and not making further missile tests.

US officials said neither India nor Pakistan had deployed nuclear missiles since the tests.

Mr Sharif said he was concerned at evidence that India was preparing to conduct further nuclear tests but US officials said they were comfortable that India was honouring its commitment to maintain a unilateral moratorium on further tests.

An IMF board meeting is expected in January on a package for the country, while the Paris Club of government creditors will meet this month to discuss Pakistan.

US officials said they would look for Pakistan to benefit financially from an order of US-built F-16 warplanes that was suspended in the early 1990s because of US sanctions.

Pakistan has been seeking compensation for the order, because it paid for the aircraft but they were never delivered.

## NEWS DIGEST

**SPRATLYS DISPUTE**

### Beijing again demands Manila free fishermen

China again demanded yesterday that the Philippines release 20 Chinese fishermen seized near a disputed reef in the Spratly Islands in the South China Sea, saying their detention was illegal.

A Beijing foreign ministry official underscored China's claim to the islands, which are also claimed wholly or in part by the Philippines and three other states, but said China would work to prevent future disputes.

The statement came in response to calls in Manila for the fishermen to be prosecuted. President Joseph Estrada said yesterday that the fishermen had violated Philippine laws and should be charged. "Nobody is exempt from the rule of law. Whether foreigner or local, we have jurisdiction over them," he said.

The Philippine navy seized the fishermen on Sunday near Mischief Reef, the focus of a long series of diplomatic clashes between Beijing and Manila. They are likely to be charged with illegal fishing and entering Philippine territory without permission. **Reuters, Beijing**

**TRADE GAP WIDENS**

### Fall in Indian exports persists

India's dismal export performance has persisted into the second half of the fiscal year, with latest official figures showing a 5.08 per cent fall in dollar export sales between April and October to $18.87bn against $19.89bn for the same period the preceding year.

Imports were 9.3 per cent higher for the first seven months of the fiscal year, at $24.67bn against $22.56bn, leaving a trade gap of $5.8bn, more than 116 per cent up on the period a year earlier.

Exports in October, at $2.59bn, were lower both than the year-ago monthly figure of $2.93bn and the September earnings of $2.76bn.

India's balance of payments this fiscal year, which ends in March, shows no immediate signs of crisis, given reasonably buoyant invisibles and remittances from workers overseas. But officials this week suggested for the first time that India's balance of payments deficit might rise above 2 per cent of gross domestic product this fiscal year.

Montek Singh Ahluwalia, a member of India's planning commission and a former finance ministry official, told a World Economic Forum conference this week that "management of the balance of payment was going to be more difficult" this year. **Mark Nicholson, New Delhi**

**HONGKONG BANK**

### Pay freeze for 13,200

Hongkong Bank, one of Hong Kong's biggest employers, has imposed a pay freeze on its 13,200 employees for next year. The bank said yesterday the decision reflected the tough economic conditions in Hong Kong.

The move follows Hongkong Telecom's abortive bid to cut wages, and comes as the economic toll in the territory is growing: sackings are being made on an almost daily basis and the list of bankruptcies is growing. Banks are facing minimal loan growth and rising bad debts.

The freeze will save Hongkong Bank, part of HSBC Holding and the territory's biggest bank, some HK$261m (US$33.9m), assuming a repeat of this year's 5.5 per cent rise on a HK$4.78bn payroll. **Louise Lucas, Hong Kong**

premier fire on promise

# Brazil to delay taking IMF loan

By Stephen Fidler in Washington and Geoff Dyer in Brasília

Brazil will await Senate approval of bilateral loans from foreign governments before it draws on an $18bn loan from the International Monetary Fund, approved late on Wednesday by the IMF board.

Officials in Washington said that details in any case had still to be worked out on the $14.5bn contribution from 20 governments and central banks, led by the US. This is expected to be drawn in parallel with the IMF money.

After the loan agreement was reached last month, Brazilian officials suggested they did not intend to draw on the IMF funds. However, they have since changed their mind, according to officials aware of the programme's details.

The Brazilian government has indicated it intends to draw 90 per cent of the $5.3bn available from the Fund immediately. Drawing this amount should allow it to take about $3.8bn from governments, they said.

The change of mind was spurred by deterioration in foreign exchange reserves – and the need to demonstrate to financial markets that the package, totalling $41bn, was actually available.

Financial markets have been sceptical of announcements of bilateral government assistance for Asian countries over the past 18 months, feeling they have been intended more to attract headlines than to provide real resources.

Wednesday's board meeting coincided with a legislative setback for the government in Brasília over plans to reform the pension system. Congressional leaders yesterday said they would find new savings of up to R$2.5bn (US$2bn) after they lost the key vote.

The defeat in Congress was the first serious setback for the R$28bn fiscal austerity plan announced last month to restore confidence in the economy. Shares on the São Paulo stock exchange had fallen 5 per cent by early afternoon as a result of the defeat.

Sergio Machado, leader in the Senate of the Social Democrats (PSDB), in the government coalition, said: "We will not compromise in any way with the goal of saving R$28bn."

Waldeck Ornelas, minister for social security, said the proposal, which would have increased contributions to the pension system by current and retired civil servants, would be reintroduced in the new session of Congress starting in February.

Political analysts said it was too early to conclude that the government had lost control of its support in Congress. Some said the measures would have passed had the government negotiated more astutely with deputies.

The committee on political reform, which Mr Machado chairs, yesterday presented a series of proposals to Congress, including the introduction of district constituencies for the lower house.

# 'Candidate of disaster' takes on 'alliance of the corrupt'

Venezuela divides as established parties team up to beat a populist in race for the presidency, writes **Raymond Colitt**

An apocalyptic voice in a television advertisement warns: "Think of what is at stake: your house, your family, your job – you could lose it all with the candidate of disaster."

The "candidate of disaster" is Hugo Chávez, who wants Venezuelans this Sunday to vote him into the presidential palace he tried to take by force in a failed coup attempt in 1992. The warning comes from one of Venezuela's established political parties, which have gone to extraordinary lengths to stop him – including ditching their own candidates to back the one man they think can do it.

As Sunday's poll draws closer there has been heightened tension and increasing bitterness between Mr Chávez, with his rampant anti-establishment platform on the one hand, and the business favourite, Henrique Salas, a former state governor, on the other.

The campaign has turned the country's streets and living rooms and its television talk shows and newspaper editorial pages into a political battlefield.

"The confrontation is much more intense and belligerent than any previous election I can remember," says Friedrich Welsch, a professor of political science at the Simon Bolívar university in Caracas. "In simple terms, it is a showdown between the haves and have-nots, between the people and the oligarchy."

Mr Chávez has been riding on a wave of widespread discontent with the country's traditional political parties, which are blamed for corruption and mismanagement of the country's vast oil wealth. His fiery populist rhetoric and promise of radical political reform have frightened Venezuela's establishment.

In a last-ditch effort, the country's traditional political parties, which have ruled for four decades but are now widely discredited, forged an anti-Chávez alliance. With no real hope of winning the presidency, the centre-right Copei and social democratic AD parties abandoned their respective candidates to support Mr Salas.

Mr Salas, a Yale-educated economist who has advocated a transfer of power from central government to state governments, received the backing of 15 of 23 governors.

Political analysts say support for Mr Salas has left the outcome of the race wide open. If Venezuelans were to vote as they did in the November 8 congressional elections, the alliance backing Mr Salas would win a majority.

Yet at least three of the leading opinion polls, which have in the past predicted presidential winners, give Mr Chávez an 8-12 point lead over Mr Salas.

The supporters of Mr Salas say he has the right mix of economic expertise and political punch to push through the overhaul of an immense state apparatus, including the privatisation of the power sector. He is credited with cracking down on corruption and improving public services while governor between 1989 and 1995 of the central-northern state of Carabobo.

Mr Chávez has been hitting back hard. In his campaign closing late on Wednesday he described the AD-Copei alliance backing Mr Salas as an illegal "wedding of corrupt politicians".

He accused Mr Salas of hypocrisy for having accepted the support of the traditional parties he had himself criticised until recently.

Wearing the red beret of his former paratroop division, Mr Chávez told tens of thousands of people in central Caracas in a speech heavy with patriotic references that "the time had come for a true revolution of the people, for the resurrection of Venezuela".

But as the campaign has progressed, Mr Chávez has back-tracked on some of his more radical policies. Only a few months ago he threatened to shut down Congress, suspend foreign debt payments, and revise recent privatisation contracts. Today he endorses foreign investment and pledges to respect a supreme court ruling on his intentions to reform the constitution by referendum rather than through Congress.

# American art lures patriotic collectors

By Antony Thorncroft

Saleroom

The patriotic interest by American collectors in works of art by US painters was confirmed at Christie's in New York on Tuesday when an auction of 131 lots totalled $25m, within forecasts. The highlight was the $4.8m paid for a view of Central Park in the 1890s by the American Impressionist Childe Hassam.

It is not a record for Hassam – that is held by "Flags", sold in May for $7.9m – but it was comfortably above its pre-sale estimate of $2.5m-$3.5m.

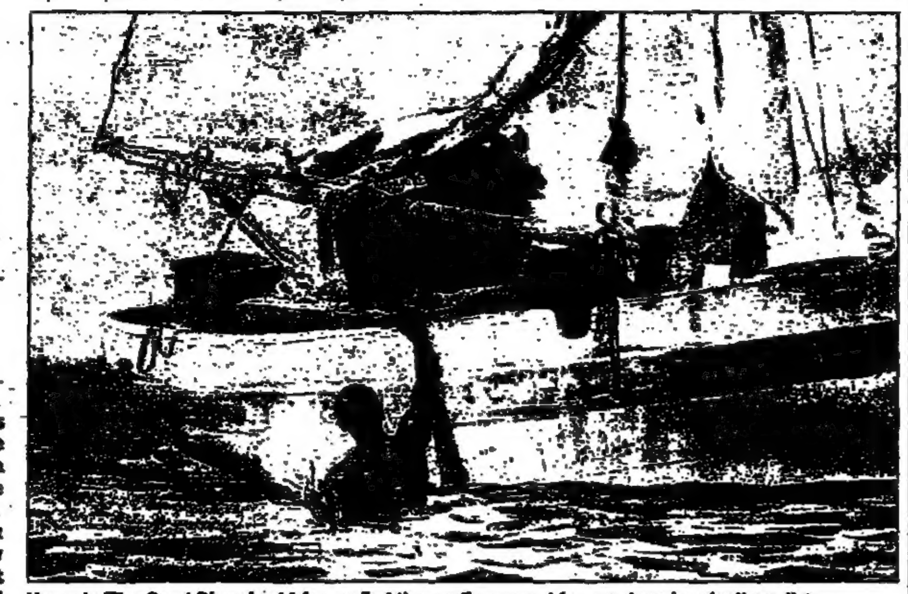
The painting depicts the Conservatory Water in the Park and was bought by a private US collector. It was sold by the Bronxville Library, which had been given it in 1945, to raise money for new acquisitions.

"The Coral Divers", an 1885 watercolour by Winslow Homer, perhaps the most celebrated 19th century US artist, went for $2.64m, equalling the auction record for a watercolour by the artist. The painting depicts a diver rising from the water clutching a piece of coral, and is one of his most famous images. Another work by Homer, "Two Girls and a Boat", painted in Tynemouth in England in 1881, made $2.6m, double its estimate.

Another record was the $1.7m paid for "Vacation Home" by William Glackens, an idyllic summer scene set in Bellport, Long Island, in 1911.

Almost 80 per cent of the lots on offer found buyers, with good demand for more modestly priced works by celebrated artists.

US institutions, unlike their equivalents in the UK, are happy to sell important works of art to raise money for new initiatives.



Homer's 'The Coral Divers', which equalled the auction record for a watercolour by the artist

# Christmas fails to lift US department stores

By Richard Tomkins in New York

Blame it on those ageing baby boomers, but US department stores look like having a lousy Christmas.

Global economic crises seem to have done little to dent the American love affair with shopping, and most retailers are expecting one of their best Christmases in years, but the spending spree is passing department stores by, to judge by yesterday's sales figures from the nation's leading retail chains.

Dillard's, owner of 342 department stores, said sales at stores open a year or more fell 4 per cent in November. On the same basis, Dayton Hudson said its department store sales fell 2.9 per cent.

At Federated Department Stores, owner of the Bloomingdale's and Macy's chains, sales fell 0.2 per cent, and at May Department Stores they were down 0.1 per cent. The day before, Sears Roebuck reported a 4 per cent decline.

The figures contrast sharply with those of other retailers. Wal-Mart Stores, the nation's biggest retailer, said November sales rose 6.5 per cent at discount stores open a year or more. Gap, the clothing chain, reported a 16 per cent surge.

Analysts say a number of factors are working against department stores, many of them attributable to the shifting spending habits of the postwar baby boom generation.

A high proportion of department store sales is attributable to clothing, and apparel has recently been one of the weakest sectors of the retail market.

"That's a reflection of demographics," says Richard Church, an analyst at Salomon Smith Barney. "Consumers are ageing, and your interest in apparel wanes as you get older. That's what apparel retailers are fighting right now."

Gap is benefiting from the trend towards more casual clothing, and other specialty clothing chains are doing well. But department store shoppers are being lured by discount store chains, which have started to woo baby boomers with up-scale clothing at bargain prices.

Diane Swonk, deputy chief economist at Bank One in Chicago, says department stores are also missing out on a surge in spending on housing-related items such as furniture, appliances, wallpaper and paint.

"Everyone thought the demographics were going to be against home-buying in the 1990s because people were going to be downsizing their housing as the baby boom aged and the empty nesters became a larger phenomenon," Ms Swonk says.

"They thought we would see people wanting to sell their homes and move into condo-style things. Instead, what's happened is that, with these low mortgage rates, people are buying and living in two homes instead of one."

While baby-boomers are spending on their home or homes, they seem ill-disposed to spend on much else. Tracy Mullin, president of the National Retail Federation, an industry body, says the problem is that they have now been around so long "they now have all the stuff they need".

As a result, Ms Mullin says, the last few years have brought a trend towards so-called "experiential" spending on trips, or tickets for sporting events or concerts, instead of goods. "It's a challenge for all retailers. They have to find a way to tap into this," she says.

But analysts say baby boomers are not wholly to blame for the department stores' ills. Parts of the US that would normally expect to be icy cold at this time of year have been basking in balmy sunshine, badly hitting sales of winter clothing.

"This is just death," says Ms Swonk. "Timing is everything in the retail market. If you've got a lot of stuff to service demand for 30° weather and its 60° outside, you've got a problem."

## November car market still strong

The big US car companies had mixed fortunes in November, but overall figures suggest the car market remains strong, buoyed by high levels of consumer confidence and fairly heavy promotional activity, Nikki Tait reports from Chicago.

General Motors posted a 5.6 per cent drop in vehicle sales last month, at 335,834 cars. The largest carmaker had already warned of a fall, blaming the competitive market and the lingering effect of the two strikes during summer.

By contrast, Ford Motor saw total vehicle sales rise 1.3 per cent, to 287,262, helped by strong sales of its popular trucks. The company also said it was forecasting 1999 US vehicle sales of about 15m units, which would be "somewhat lower than in 1998". Earlier in the week the merged DaimlerChrysler group announced an even stronger rise in US sales – 6.7 per cent in November.

# US productivity revised up

US business productivity rose substantially more than previously reported in the third quarter, the government said yesterday, Reuters reports from Washington.

Productivity, which measures the hourly output of workers outside the farm sector, increased at a 3 per cent annual rate in the three months to the end of September, a sharp rise from the 0.3 per cent growth of the second quarter and far higher than the Labour Department's previous estimate for the third quarter of 2.3 per cent.

The revision for the quarter was in line with Wall Street forecasts.

Unit labour costs, a closely watched gauge of wage inflation, rose at a moderate 1.1 per cent rate in the period, slower than the previously reported 1.7 per cent pace and down sharply from a 3.7 per cent second quarter rise.

Leading the productivity gains in the third quarter was the manufacturing sector, particularly makers of long-lasting durable goods, whose productivity rose 8.3 per cent, up from the previously reported 5.4 per cent.

The hours of factory workers fell at an annualised 4.3 per cent rate during the period, the biggest drop since the second quarter of 1995.

Manufacturing hourly compensation rose at a 3.3 per cent rate. But since manufacturing productivity rose faster than compensation, unit labour costs in that sector fell at a 1.8 per cent rate.

**On the web** today
- Ottawa faces fresh plea to cut taxes
- Ecuador loan call threatens central bank
- Colombian inflation at 15-year low

http://www.ft.com/americas

**THE ECONOMY** SURVEYS PROMPT CALLS FOR CENTRAL BANK TO CUT INTEREST RATES NEXT WEEK

# Services show first decline for two years

By Richard Adams, Economics Staff

Evidence continued to mount yesterday that the UK economy may be heading for recession, after an important survey showed that activity in the service sector contracted last month.

The poll by the Chartered Institute of Purchasing and Supply found that business activity in November declined for the first time since the survey began in 1996. The news led to a chorus of calls for the Bank of England, the UK central bank, to follow the 12 European Union central banks that cut interest rates yesterday.

Analysts said the survey showed that the weakness previously concentrated in manufacturing was spreading rapidly to the rest of the domestic economy. The institute's index of business activity dropped to 49.1 in November from 52.1 in October. The fall took the index below the crucial 50 break-even level. A reading below 50 implies that business activity is shrinking.

Incoming new business, capacity utilisation and prices in the sector also showed further signs of contraction. "Overall, the survey emphasises that real short interest rates are far too high. The MPC [the central bank's monetary policy committee] should cut rates next week," said David Hillier, UK economist at Barclays Capital, the investment banking arm of Barclays Bank.

Another survey – of 150,000 retail, wholesale and vehicle outlets – by the Confederation of British Industry, Britain's largest employer's lobby, found increased gloom over business conditions in the next six months.

Kate Barker, the CBI's chief economist, said a recession looks "increasingly likely" in light of recent data. "The key thing this week is about the service sector, and signs of recession spreading to it," she said.

The survey of distributive trades showed an increasing number of retailers reporting lower sales than a year before. Sales growth has now been negative for three out of the past four months.

The CBI survey provided one explanation for the recent slowdown in demand for manufactured goods. Import penetration among UK retailers is at its highest level since 1990, suggesting that the strong pound has led to buying cheaper goods overseas.

But there could still be something for retailers to cheer about at Christmas. A survey by American Express credit card company, to be released at the end of this week, will show that consumer confidence remains strong.

More than 70 per cent of consumers have "as much, if not more money than they did this time last year," the spending report finds. Nearly a third of the sample said they felt more confident as a result of the Bank's recent interest rate cuts. And 31 per cent said they planned to spend more on presents than last year, while just 17 per cent planned to spend less.

# Ministers delay debate on new airport for London

By George Parker and Michael Skapinker

Ministers will delay consideration of plans for a controversial new runway – or airport – in south-east England until after national elections due by 2002 at the latest.

The issue is too sensitive to be put on the agenda before 2002, they have ruled, even though transport planners believe an early decision is needed.

It is thought that runway capacity at London's airports will be exhausted by 2013 and that a new runway will be required.

The delay in detailed consideration of the options, due to planning implications and the expected level of public concern, could lead to a tight timetable for construction.

The decision on whether to expand an existing airport or to build a new one will be one of the most explosive planning issues for years.

John Reid, transport minister, argues that he cannot produce a long-awaited policy paper on airport policy until the conclusion of the epic public inquiry into the proposed fifth terminal at London Heathrow – which will not include a new runway.

The inquiry, the longest of its kind, has been running for three years and the inspector may not be in a position to give his decision until 2001. The terminal is expected to be approved.

The policy paper, which will set out an airport strategy stretching 30 years ahead, is likely to be produced after the Terminal Five decision. Detailed consultations on the new south-east runway will follow the policy paper and are not expected to become an issue with the public until after the election.

BAA, which owns Heathrow, Gatwick and Stansted airports, said yesterday the decision on whether to build a new runway or airport was strictly a matter for politicians. The group has decided that as a privately-owned company it should not be put in the position of making a decision with far-reaching political and environmental consequences.

"If the potential of our existing runways at our three airport system is fully realised, we can match demand for another 15 years," the company said.

BAA has already ruled out the building of a third runway at Heathrow because it would involve the destruction of housing. "It's our view that it's impractical. It's an environmental and political non-starter," BAA said.

Other possibilities are a second runway at Gatwick or Stansted. BAA has an agreement with the local municipal authority not to promote another runway at Gatwick until 2019.

## NEWS DIGEST

NORTHERN IRELAND

### Unionists fail to win backing for compromise

Hopes of unblocking the Northern Ireland peace agreement receded last night as the Ulster Unionists, the biggest pro-British party in the region, failed to win backing from their assembly members for a compromise struck with the moderate nationalist Social Democratic and Labour party late on Wednesday night. John Taylor, the UUP deputy leader, indicated no deal was likely until the end of next week, advising reporters to take a week's holiday. He said there were still differences over setting up north-south bodies linking Northern Ireland and the Irish Republic and on the formation of the executive to run Northern Ireland when powers are transfered next February. He also warned the UUP would not set up the executive without decommissioning of weapons by the Irish Republican Army. Both the UUP and SDLP had indicated an outline deal was in place after lengthy negotiations on Wednesday night. The continuing wrangle centres on the remit of the north-south bodies. Unionists accuse the SDLP of attempting to use the bodies to achieve Irish unity by stealth. **John Murray Brown, Dublin**

EDUCATION

### Pay rises for top teachers

Good teachers in state schools can expect big pay rises under a £1bn ($1.6bn) package unveiled today by David Blunkett, the chief education minister. More than half the profession is paid less than £23,000 a year. But to cross a new threshold, teachers will have to demonstrate a high and sustained level of achievement and commitment through a tough appraisal system. That will take account of "positive outcome for pupils' performance". This will create the first link between teachers' pay and children's results since the 19th century.

Teachers in the new grade, which will stretch up to £35,000, could be expected to work up to six weeks extra a year, possibly upgrading their skills through training.

An even clearer link between pay and performance will be created through the new £60m School Performance Award scheme. Schools that do consistently well, or significantly improve their results, will receive one-off payments – up to £25,000 for a big secondary school – to be distributed as pay bonuses among staff.

OFFSHORE CENTRES

### EU tax moves 'not a threat'

European Union moves towards tax harmonisation do not pose a threat to Jersey's constitutional position or fiscal policies, according to the offshore centre's senior politician. Senator Pierre Horsfall, president of the policy and resources committee of the island's administration, said the authorities will not take any action that might damage the economy and encourage the transfer of business to less well-regulated centres. Jersey, the biggest of the Channel Islands between England and France, is not part of the UK and has its own legislature even though Queen Elizabeth is head of state. He was addressing the States of Jersey, the island's assembly, in a week that has seen deposits in the island's banks reach a record £100bn ($165bn). Mr Horsfall referred to a statement made by the UK government to the European Union tax code of conduct group, which said: "The Crown is ultimately responsible for good government. However, the people of Jersey cannot vote in elections for the UK parliament and it would be unprecedented for the UK to legislate for Jersey on taxation and other domestic matters without the agreement of the Jersey authorities. Legislation on taxation matters has always taken the form of laws enacted by the island legislature." **Philip Jeune, Jersey**

LLOYD'S

### Names' challenge fails

Disgruntled Names, individuals whose capital has traditionally supported the Lloyd's, have failed in their challenge to the insurance market's bye-laws that they claim gives control of the organisation's ruling council to corporate capital investors. At an extraordinary general meeting, a resolution to revoke the bye-laws was defeated by 3,396 to 2,342. But some Names complained that more than 2,000 votes had been disallowed and threatened to take legal action over Lloyd's refusal to circulate their literature to Names. **Andrew Bolger, London**

ELECTRONICS

### Fujitsu plant closes today

Fujitsu is to close its semiconductor plant in north-east England today, but negotiations to sell it continue. Fujitsu has agreed to keep it on a care-and-maintenance basis until at least the end of February. Kingsley Smith – chairman of the group set up by Peter Mandelson, chief trade and industry minister, to sell the plant – said yesterday he was hopeful it would be sold to a microelectronics company. "We are continuing discussions with a number of companies." **Chris Tighe, Newcastle upon Tyne**

*Mika Häkkinen*
*1998 Formula One World Champion*
*Team McLaren Mercedes*

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he stays as laid-back as life
in his native Finland.

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*Robert J. Eaton*
*Chrysler Corporation Chairman*

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## BRITAIN

**CONSERVATIVE PARTY** HAGUE FACES BIGGEST CRISIS FOR HIS LEADERSHIP SO FAR

# Opposition chief under pressure as lords resign

**By Robert Peston, Political Editor**

William Hague's grip over the opposition Conservative party in both houses of parliament looked increasingly *tenuous yesterday* as he failed to avert the resignation of four members of his frontbench team in the upper house and faced increasingly heated criticism from his party's MPs.

The most conspicuous departure was that of Lord Fraser of Carmyllie, who quit as deputy leader of the Conservative lords saying he was "disgusted" at Mr Hague's treatment of Lord Cranborne.

Mr Hague had sacked Lord Cranborne as Conservative leader in the Lords on Wednesday night for *agreeing a deal with the prime* minister allowing hereditary peers to retain their Lords places for a few years in return for the Conservatives dropping their opposition to the forthcoming Lords reform bill.

*Three other* frontbench Conservatives – Lord Bowness, Lord Pilkington and the 15th Earl of Home, son of a former prime minister – quit in sympathy. A hereditary peer, Baroness Strange, surrendered the Conservative whip and joined the non-affiliated "crossbenchers".

Lord Bowness is a former senior figure in London municipal government and has been a delegate to the Council of Europe. Lord Pilkington spent many years as a master at famous private schools including Eton and *St Paul's. Baroness* Strange, who lives in a Scottish castle, has been on many parliamentary defence delegations visiting British garrisons.

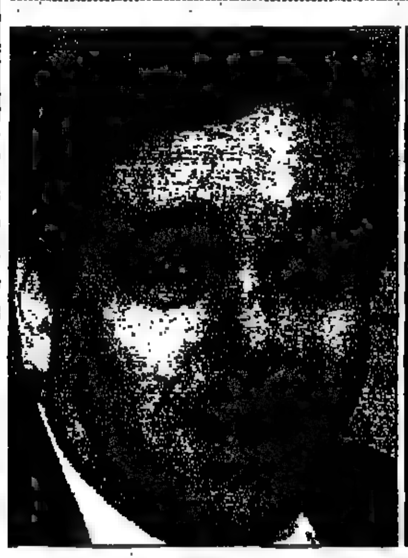
Conservative MPs in the House of Commons made no secret of their contempt for Mr Hague's management of the crisis. "It is not a question of if Hague will be replaced before the election but when he will be replaced," said one. But senior shadow ministers stood by him. "William will emerge all the stronger for taking a stand," said one.

But there was widespread bemusement at why Mr Hague had dismissed Lord Cranborne. He has made clear he supports the principle underlying the compromise thrashed out by Lord Cranborne, which was originally proposed by the leaders of the crossbenchers.

Mr Hague said the unacceptable fact was that Lord Cranborne had agreed unilaterally to limit the Conservatives' ability to amend the Lords reform bill. He said Mr Blair's offer to support a transitional house containing hereditary peers was a "pretty amazing U-turn" in the light of Labour's rhetoric against the hereditary principle. "Of course we support the concession that the government has made and we welcome that concession," he said.

"I know there is a logic to Hague's position but the public just won't see it," said a senior Conservative. "To most people it looks as though William has taken leave of his senses by sacking someone for doing something which he supports."

**TITLES ROLE** THE CONSERVATIVE RESHUFFLE IN THE UNELECTED UPPER CHAMBER



**SACKED LEADER:** Lord Cranborne (Robert Michael James Gascoyne-Cecil), son of the 6th Marquess of Salisbury, was a junior defence minister in John Major's government before becoming Conservative leader in the Lords

**DEPUTY WHO QUIT:** Lord Fraser of Carmyllie (Peter Lovat Fraser), the son of a minister in the Protestant Church of Scotland, is a lawyer and life peer who was a Conservative MP for a Scottish district for most of the 1980s

**NEW LEADER:** Lord Strathclyde (Thomas Galloway Dunlop du Roy de Blicquy Galbraith), is an hereditary peer and former broker at the Lloyd's insurance market who held a succession of junior ministerial posts in John Major's government

# Young leader clashes with party old boys

Relations between the son of a fizzy drink maker and the son of the 6th Marquess of Salisbury were always strained. **Deborah Hargreaves** reports

Attempts by Tony Blair, the prime minister, to reform parliament's upper chamber, the House of Lords, took a bizarre turn this week when the opposition Conservative party broke into open warfare over the issue.

The Conservatives are in a minority in the House of Commons, where bills are enacted, but have a majority in the unelected upper chamber. Many members of the upper house are there solely because they inherited aristocratic titles. There are 600 of these members – the hereditary peers – of whom 303 are Conservatives, 18 Labour, 24 Liberal Democrat and 202 independent "crossbenchers".

The house also includes *lords whose titles last for* their lifetimes only. There are 505 of these life peers, of whom 173 are Conservatives, 158 Labour, 45 Liberal Democrat and 120 independents. The bishops of the Protestant Church of England also sit in the House of Lords.

Members do not have to attend, many seldom do and a few never appear. The 15th Lord Stafford told the House on Monday that the first member of his family to attend parliament arrived in 1299. It was his first speech, 12 years after becoming a member by inheriting the title on his father's death.

*William Hague*, Conservative party leader, on Wednesday sacked Lord Cranborne, who headed the Conservative majority in the House of Lords. But the relationship between Lord Cranborne, son of the 6th Marquess of Salisbury, and Mr Hague, *son of a fizzy drinks maker*, has never been easy.

It became clear during a meeting with the lords on Wednesday – which lasted for more than two hours – that Mr Hague had lost the support of his aristocratic colleagues.

Mr Hague was furious with Lord Cranborne for agreeing with Mr Blair to retain 10 per cent of hereditary peers in the upper house until reforms are complete.

Mr Blair originally wanted to abolish the voting rights of hereditary peers, as well as their prerogative to sit in the House, by next year.

But the Conservatives threatened to disrupt the government's legislative programme because they were unhappy with Mr Blair's plan to replace hereditary peers with members appointed by ministers for an interim period. The Lords can to block legislation by repeatedly returning it to the House of Commons for further consideration.

*Mr Hague said* Lord Cranborne had been given the authority to discuss solutions to the impasse with Mr Blair, but not to agree any deal without Mr Hague's approval.

The deal agreed by Lord Cranborne was proposed by independent members of the House of Lords. "I thought we had an extraordinarily good deal," he said.

It would allow each party to vote for the 10 per cent of the 600 hereditary peers who would keep their seats in the Lords until a Royal Commission working party reports on what should replace the upper house.

In sharp exchanges in the House of Commons on Wednesday Mr Hague accused Mr Blair of a "huge climbdown" but said he could not support the deal.

When Mr Hague sacked Lord Cranborne, the entire Conservative front bench in the Lords tendered their resignations in sympathy, but Mr Hague would not accept them. The affair is widely seen as highlighting a lack of control by Mr Hague, the youngest Conservative leader of the century.

**LOCAL GOVERNMENT** ASSESSMENT OF UNDERGROUND RAILWAY CONSULTATION DUE SOON

# London reform plans published

**By Alan Pike, Business Services Correspondent**

Government analysis of private sector responses to *calls from John Prescott, the* deputy prime minister, for a public-private partnership to modernise the London Underground railway will be completed in weeks.

London's proposed directly-elected mayor will become responsible for transport under the greater London authority bill, published yesterday. But negotiations on the plans to finance refurbishment of the system may not be completed by the time the mayor is due to take office in 2000.

The bill gives Mr Prescott *power to continue making* provisions in connection with the partnership. The deputy prime minister, asked whether the Underground negotiations might lead to delays in handing over transport responsibilities to the mayor, said the timetable had always been extremely tight. Ministers should receive the analysis within weeks and a statement would follow their assessment.

Yesterday's bill will introduce London's first directly-elected mayor and a 25-*strong* assembly. It will establish an integrated transport body, a London development agency reporting to the mayor and a new police authority.

Stephen O'Brien, chief executive of London First, the private sector body that promotes the capital, said: "The principle of business working in partnership with the government has now moved from aspiration to legislation".

The changes to UK local government contained in the bill include allowing the introduction of road user charges and workplace parking levies in the capital. Money raised would fund public transport improvements. But London organisations are unhappy that government would be allowed to take part of the proceeds.

*The mayoral* elections will be conducted on a supplementary vote system.

## BUSINESSES FOR SALE

## CONTRACTS & TENDERS

**REPUBLICA DEL PARAGUAY**
**MINISTERIO DE HACIENDA**
Proyecto de Racionalización del Uso de la Tierra (PRUT)
Prestación de Servicios de Apoyo en la Fiscalización de Trabajos Catastrales
Préstamo 3445- PA
Llamado a Manifestación de Interés

La República del Paraguay ha recibido del Banco Internacional de Reconstrucción y Fomento (BIRF) un préstamo para sufragar en parte los costos del Proyecto de Racionalización del Uso de la Tierra (PRUT) y se propone aplicar parte de estos fondos al pago del contrato por el cual solicita la expresión de interés.

El Ministerio de Hacienda de la República del Paraguay tiene previsto en el marco de la ejecución del PRUT, la implementación de Prestación de Servicios de Consultoría para Apoyo en la Fiscalización de la Implementación de un Sistema de Información Catastral y Levantamiento Catastral.

El trabajo comprende la prestación de servicios de apoyo en la fiscalización de la ejecución de las siguientes etapas básicas: Propaganda e Información al Público de la Zona sobre la Ejecución de los Trabajos de Campo, Recolección y Ordenamiento de Datos y Antecedentes Catastrales, Formación de un Catastro Preliminar, Levantamiento Catastral (Trabajos de Campo), Desarrollo e Implementación del Sistema de Información Catastral, Conciliación de Datos en Gabinete y Conformación de la Base de Datos (gráfico y alfanumérico).

Se invita a firmas consultoras nacionales e internacionales elegibles a indicar su interés en la provisión de los servicios requeridos. Las consultoras interesadas deberán suministrar información indicando que están calificadas para ejecutar los servicios (descripción de trabajos similares, experiencia en condiciones similares, disponibilidad del personal calificado, folletos, etc.). Las firmas podrán consorciarse para mejorar sus calificaciones.

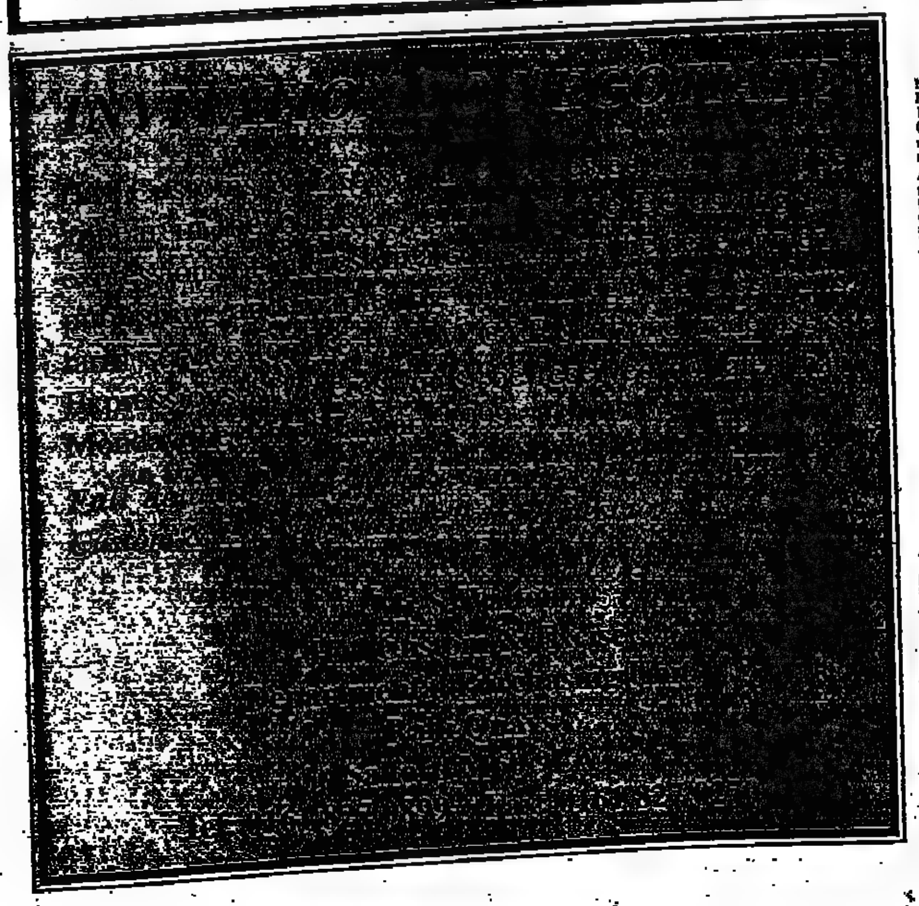
La firma consultora será seleccionada de acuerdo con los procedimientos establecidos en el Documento sobre Normas para Selección y Contratación de Consultores por Prestatarios del Banco Mundial (enero 1997, con su revisión de setiembre de 1997).

El cronograma establecido para el presente proceso de selección, se encuentra conformado en base al siguiente esquema:

- Presentación de Documentos de Manifestación de Interés: 22 de diciembre de 1998
- Disponibilidad de las Informaciones para la Presentación de Propuesta: 8 de enero de 1999
- Presentación de Propuestas: 16 de febrero de 1999.

Las expresiones de interés, que deben estar redactadas en idioma español, serán recibidas hasta las 9:00 horas del día 22 de diciembre de 1998 en la siguiente dirección:

Proyecto Racionalización del Uso de la Tierra
Director Nacional del Proyecto
Ing. Manuel Guzmán Macchi
Piribebuy Nº 970 c/ Colón
Asunción, Paraguay
Telefaxes (595) (21) 494160 - 494211 y 451018 (interno 272)



### ETBA Finance

ECONOMIC & FINANCIAL SERVICES S.A.

INVITATION FOR EXPRESSIONS OF INTEREST IN PURCHASING THE ASSETS OF "HELLENIC TARTARIC ADVANCED TECHNOLOGY INDUSTRY S.A." known as "HELLENIC TARTARIC"

ETBA FINANCE ECONOMIC AND FINANCIAL S.A., established in Athens (1 Eratosthenous St.), as special liquidator of the above company, by Decision No. 293/1998 of the Nafplion Court of Appeal, by which, "HELLENIC TARTARIC ADVANCED TECHNOLOGY INDUSTRY S.A." known as "HELLENIC TARTARIC" has been placed under special liquidation within the framework of article 46a of Law 1892/1990, as supplemented by article 14 of Law 2000/1991 as currently in force

INVITES

Interested parties to express their interest in purchasing the assets of "HELLENIC TARTARIC ADVANCED TECHNOLOGY INDUSTRY S.A." known as "HELLENIC TARTARIC" by submitting within twenty (20) days from today, a written, non-binding expression of interest.

Summary data on the company under liquidation

"HELLENIC TARTARIC ADVANCED TECHNOLOGY INDUSTRY S.A." known as "HELLENIC TARTARIC" owns an industrial complex situated in the industrial zone of Meligala in Messinia on a plot of land about 19,100 m² in area. The unit's buildings cover an area of 4,489m² of the plot with a built surface area of 4,614m². The mechanical equipment of the factory is modern and dates over the past five years. The factory produces tartaric lime and 96° alcohol from wine residue.

Data concerning the tender

I. Prospective buyers, after signing a confidentiality agreement, may receive the Offering Memorandum from the offices of the liquidating company, within the legal time limits. They will also have access to any other information they may request and be able to visit the premises of the company under liquidation.
II. The Offering Memorandum will contain a detailed description of the total assets for sale of the company in liquidation and useful information for the prospective buyer.
III. The procedure for conducting the tender will be published within the legal time limits and in the same newspapers in which the present invitation has appeared.

For further information, please apply to
ETBA FINANCE S.A., Mr N. Scleventis and Mrs E. Anastasiadou.
1 Eratosthenous Street, 4th Floor, Athens 116 35, Greece
Tel. (301) 7260210, 7260278, 7260508 and fax. (301) 7260864

## LEGAL NOTICES

No. 06436 of 1998

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF GREEN'S (WEST END) LIMITED
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 10th day of November 1998 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the Share Premium Account of the above-named Company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Registrar of the Companies Court at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 16th December 1998.

ANY Creditor or Shareholder of the Company desiring to oppose the making of an Order for the confirmation of the proposed reduction of the Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 4th day of December 1998.

SPEECHLY BIRCHAM
Bouverie House
154 Fleet Street
London EC4A 2HX.
Ref: PAK/SCR/091239/048
Solicitors for the above named company.

No: 006474 of 1998
In the High Court of Justice
Chancery Division Companies Court
In the Matter of
THE FLEMING OVERSEAS INVESTMENT TRUST PUBLIC LIMITED COMPANY
and In the Matter of the Companies Act 1985

NOTICE IS HEREBY GIVEN that a Petition was on 12 November 1998 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £33,945,000 to £33,210,000 by returning capital which is in excess of the wants of the Company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Companies Court Registrar at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 16th day of December 1998.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under-mentioned Solicitors on payment of the regulated charge for the same.

Dated the 30th day of November 1998.

LINKLATERS & PAINES (DTL)
One Silk Street, London EC2Y 8HQ
Solicitors for the above-named Company.

## PUBLIC NOTICE

**NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTIONS 8(5) AND 10(6) OF THE TELECOMMUNICATIONS ACT 1984**

The Secretary of State hereby gives notice as follows.

1. He proposes to grant licences under the Telecommunications Act 1984 ("the Act") to CompleTel UK Limited, Drivememory Limited, Faultbasic Limited, GTS Business Services (UK) Limited, Teleport UK Limited (trading as Satellite Media Services), and WXNET Limited (the "Licensees") to run telecommunication systems in the United Kingdom. The licences to be granted to Drivememory Limited, GTS Business Services (UK) Limited, Teleport UK Limited (trading as Satellite Media Services) and WXNET Limited will each be for a period of six months, thereafter being subject to revocation on one month's notice. The licences to be granted to CompleTel UK Limited and Faultbasic Limited will be for a period of 25 years subject to earlier revocation in specified circumstances.
2. The principal effect of each of the licences to be granted to Drivememory Limited, GTS Business Services (UK) Limited, Teleport UK Limited (trading as Satellite Media Services) and WXNET Limited will be to enable each of those Licensees to install and run telecommunication systems in the United Kingdom which may be connected to telecommunication systems outside the United Kingdom, and to provide a wide range of services but not any domestic services (i.e. services involving the conveyance of messages which originate and are subsequently to terminate in the United Kingdom) or mobile radio services. Each licence authorises connection to a wide range of other systems, including earth orbiting apparatus.
3. The principal effect of the Licenses to be granted to CompleTel Limited and Faultbasic Limited will be to enable both of them to install and run telecommunication systems throughout the United Kingdom and provide a wide range of services but excluding mobile radio services and certain international services. Both of these licences authorise connection to a wide range of other systems, including earth orbiting apparatus, allowing the provision of some types of international service. On securing a share of 25% or more of the market in respect of particular services in an area specified by the Director General of Telecommunications, CompleTel Limited and Faultbasic Limited may each be obliged to make available those telecommunication services to all who reasonably request them within that area.
4. Each licence will be subject to conditions such that section 8 of the Act will apply to it, thereby making each of the systems run under each licence eligible for designation as a public telecommunication system under section 9 of the Act. It is the intention of the Secretary of State to designate each of the Licensees' systems as a public telecommunication system.
5. The Secretary of State proposes to grant each licence in response to an application from each Licensee for such a licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.
6. He proposes to apply the telecommunications code ("the Code") to CompleTel UK Limited, Faultbasic Limited and GTS Business Services (UK) Limited subject to certain exceptions and conditions throughout the United Kingdom. The effect to the exceptions and conditions to the application of the Code is that each of those Licensees will have duties:
   (a) to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any purpose;
   (b) to comply with conditions designed to ensure efficiency and economy on the part of each of those Licensees, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of their apparatus;
   (c) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;
   (d) to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in their respective licences to their powers under the Code; and
   (e) to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.
7. The reason why the Secretary of State proposes to apply the Code to CompleTel UK Limited, Faultbasic Limited and GTS Business Services (UK) Limited is that they will each need the statutory powers in the Code to install and maintain the telecommunication systems which are to be installed and run under their proposed licences.
8. The reasons why it is proposed that the Code as applied should have effect subject to the exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that each Licensee to whom the Code is applied can meet (and relevant persons can enforce) liabilities arising from the execution of works.
9. Representations or objections may be made in respect of the proposed licences, the application of the Code to certain of the Licensees and the proposed exceptions and conditions referred to above. They should be made in writing by 8 January 1999 and addressed to the undersigned at the Department of Trade and Industry, Communications and Information Industries Directorate, 2.80 Grey, 151 Buckingham Palace Road, London SW1W 9SS. Copies of the proposed licences can freely be obtained by writing to the Department or by calling 0171 215 1756.

Alan Proud
Department of Trade and Industry

4 December 1998

**MANAGEMENT** GLOBAL RETAILING

# Carrefour's revolutionary

**Peggy Hollinger**, in a continuing series, talks to the hypermarket chairman who had an idée fixe about globalisation before it became fashionable

It is hard to tell if it is vision or obsession, but Daniel Bernard, chairman of hypermarket operator, Carrefour, has been preaching the gospel of globalisation for ages.

In future, he says, "we will have local companies or global companies but not much in between. Globalisation will lead those who are not in the first team, or who are national retailers, to make alliances."

Mr Bernard's views have been forged by years of globe trotting, first as head of international operations at Germany's Metro, Europe's largest retailer, where he was tipped to succeed former president Erwin Conradi.

Then, when a falling out between Carrefour's family shareholders led to management changes, the emigrant Frenchman was tempted back home to run the group in 1992.

Even then Carrefour was arguably furthest down the road, among Europe's top retailers, to being a global company, having introduced the hypermarket concept to Spain as early as 1973.

By the end of this year it will have operations in 20 countries, which are expected to generate about FFr187bn (£20bn) in annual sales. While other retailers may have greater total sales, few food retailers have been pursuing international expansion with the determination of Carrefour.

Even fewer have opted for Carrefour's approach of building stores from scratch – albeit with joint venture partners – rather than buying into existing operations.

Mr Bernard has had only six years at the helm of Carrefour to put his beliefs into practice. But in that time he has significantly stepped up the pace of expansion, adding 12 countries in the last five years alone. Last year the group invested FFr13bn in opening new stores abroad.

"There is a race and a lot of companies are qualified for the race," he says. But "to go global you need to be early enough. Generally in new countries you need to be the first in for the first win. When you arrive as number three or four it is too late."

For Mr Bernard, there is no other option but to go global for a company such as Carrefour. "You *have* to enter the race," he says, citing the three forces which are pushing modern retailers to pursue global expansion.

First, the growing sophistication of consumers means retailers must be able to offer better and wider choices.

"The big move is the maturity of the consumer," he says. "They want it now and they want it with the best service and the best quality. Not only in mature markets, but in emerging markets the customer is more demanding. They have money, so they have power."

Second, food retailing, particularly in the maturer markets of northern Europe, is more capital intensive than ever.

Retailers are being forced to fight off international competitors with investments in service, systems, technology and price. For those with international ambitions, the stakes are even higher, given the increased competition for prime positions in new markets.

"Before you could grow slowly," says Mr Bernard. "You did not need too much capital. But now, to be global, you need money." And not only to invest in new markets, but to keep up with the competition at home.

Finally, retailers have to be able to extract the best price from their suppliers to stay competitive. Mr Bernard, like many of his rivals, believes market share and volume are the keys to winning bargains.

"You need good market share to negotiate with suppliers," he says. "If you are good globally, but weak locally, you are weak. If you are strong locally, but not globally, then you are weak for the future."

Mr Bernard is clear about what he believes to be the real issue for retailers in the next century.

"When you mix the customer evolution with the other factors, we are facing a new revolution in retailing," he says. "You need huge volume, not for the volume, but to have the right know-how.

"We have to learn to be global. We have to learn global sourcing and how to manage capital intensity, the needs of our customers, our market shares and the war of formats. Because the format [the type of store or the services a group offers] must adapt every day."

These are complex issues, but there is at least one area where retailers might find life easier in future, he suggests. Mr Bernard has been an outspoken supporter of European monetary union, and has advocated rapid introduction of a single currency. "It is stupid for companies to have this financial difficulty [of operating in different currencies]," he says.

But if companies think it will make pan-European expansion any easier they should think again, he warns. Retailing, even global retailing, must be firmly focused on the local customer.

"Europe is a market where you have cultural differences," says Mr Bernard. "Italy is a specific country as far as development and politics. Spain, France and Belgium are all different."

The real effect of the Euro will be to give more power to retailers with significant market share. But he remains vague as to whether that power will be measured in terms of individual markets or on a pan-European basis.

However, there are signs that Carrefour – like its Dutch rival on the international stage, Ahold – may be coming round to the view that it needs a stronger presence in the mature markets of Europe in order to be a truly global retailer.

Hitherto firmly focused on hypermarkets, Carrefour recently acquired Comptoirs Modernes, a leading French supermarket operator. The acquisition may open the way for Carrefour to tackle maturer markets, where trends are for smaller, local stores.

"There are a lot of new markets and everywhere there is still a lot to conquer," he says. "Even in France, where we have been very limited by law. There is no market where we are satisfied."

Mr Bernard's brand of restless enthusiasm has clearly helped to transform Carrefour into a standard of global retailing. But he acknowledges that maintaining that standard depends to a large degree on his ability to cultivate an outward-looking corporate culture. More importantly, he cannot control everything from the centre. "As long as you do that it means that the international operations are appendages to local operations," he says.

But Mr Bernard is not too worried. Carrefour, he says, has been successful precisely because management is not done from the top down. "Luckily enough," he says, "we have a permanent volcano under our feet."

Counter-culture: 'There are a lot of new markets and everywhere there is still a lot to conquer'


Daniel Bernard: 'There is a race and a lot of companies are qualified for the race'

## Going from strength to strength

- Founded in 1959 by Marcel Fournier and brothers Denis and Jacques Defforey.
- First store opens in 1960 and first hypermarket launched three years later.
- 1970 Carrefour goes public.
- 1997 sales: FFr169.3bn.
- 1997 pre-tax profit: FFr6.2bn.
- 369 hypermarkets in 20 countries forecast by the end of 1998, with international operations forecast to contribute roughly half the profit.
- Comptoir Modernes acquisition in October adds 600 supermarkets and brings Carrefour's market share in France to almost 18 per cent.
- Carrefour also owns discount and convenience stores, frozen food outlets and has strategic stakes in rival hypermarket operator Cora.
- The hypermarkets offer a range of financial and leisure services and the group has also recently launched a cheap, land-based telecoms business in France.

**INFORMATION TECHNOLOGY** FT BUSINESS WEB SITE AWARDS

# Exit geek, enter salesman

**Paul Maidment** sees a significant change in the standard of entries as more companies and customers embrace the web

This was the year big companies took their web sites away from their IT departments and gave them to sales and marketing. And, boy, does it show.

As a judge for the FT Business Web Site of the Year Awards this year and last, I can testify there has been a radical improvement in the standard of design among big companies' web sites over the past 12 months.

Any one of the eight finalists in the large organisations category this year would have walked away with last year's competition. Those finalists included companies such as BP, British Airways, Eastman Kodak and PepsiCo, experienced in evoking their brands and communicating with customers. These were sites on which money and attention had been well spent.

It was not just a succession of elegant "looks and feel" that impressed the judges. Nor whizzy features. There were barely any new technology-driven features to be seen.

It was the execution of the sites that struck us. This year's best sites really work as ways of doing business. None did anything just because it could be done. All the sites did something that customers needed.

The reason is no secret. Where once web pages were designed by geeks for geeks who would see something cool and peer into the source code to see how it was done, now they have to be designed to make buyers peer into their wallets for a credit card.

Online retailing is but the tip of the e-commerce iceberg. Out of sight is a mass of business-to-business transactions, for which it is difficult to get firm sales volumes because many are conducted through semi-private internets and extranets linking companies with their suppliers.

Over the past year a critical mass has built up of consumers and purchasing managers who need the net to make busy lives quick and easy.

Simple, intuitive navigation and good looks are the two attributes of web sites most valued by consumers, according to a survey of financial services sites by NFO Worldwide, a market research group. Our winning site in the large organisations category, Dell Europe, (*www.dell.co.uk*) is selling more than $5m worth of personal computers online a week to individuals and businesses. Worldwide, Dell Computer is a $2bn online business.

Dell tackles the retail and business-to-business markets with one site, the design of which aims to make buying and owning a computer as simple as possible. As a consequence, Dell is not only changing the computer buying market by selling direct, it is also restructuring the sales chain.

The site is catalogue, sales clerk, after sales assistant, complaints department, technical manual and repair technician rolled in to one. With a few keyboard clicks, Dell's customers can review, configure and price any computer system the company sells, place an order and track its progress from manufacturing to shipping.

Once they receive the PC, customers can get online support and download software upgrades. Corporate customers receive the invoices, tax receipts and other records that businesses require.

The golden rule of good site design is "architecture precedes aesthetics". The navigation of Dell's site leads the customer intuitively and speedily in the one direction the company wants, from information to purchase to support, providing a customised route for each customer, be they individual or company.

Many sites still demand too many clicks to purchase, too many keystrokes to enter credit card and shipping information, too much extraneous marketing data to fill out before the customer is allowed to get away. E-commerce does not allow for the instant gratification of taking away goods just bought. The substitute online has to be the experience of the purchase itself.

**'Financial markets are putting a price on the value of good design'**

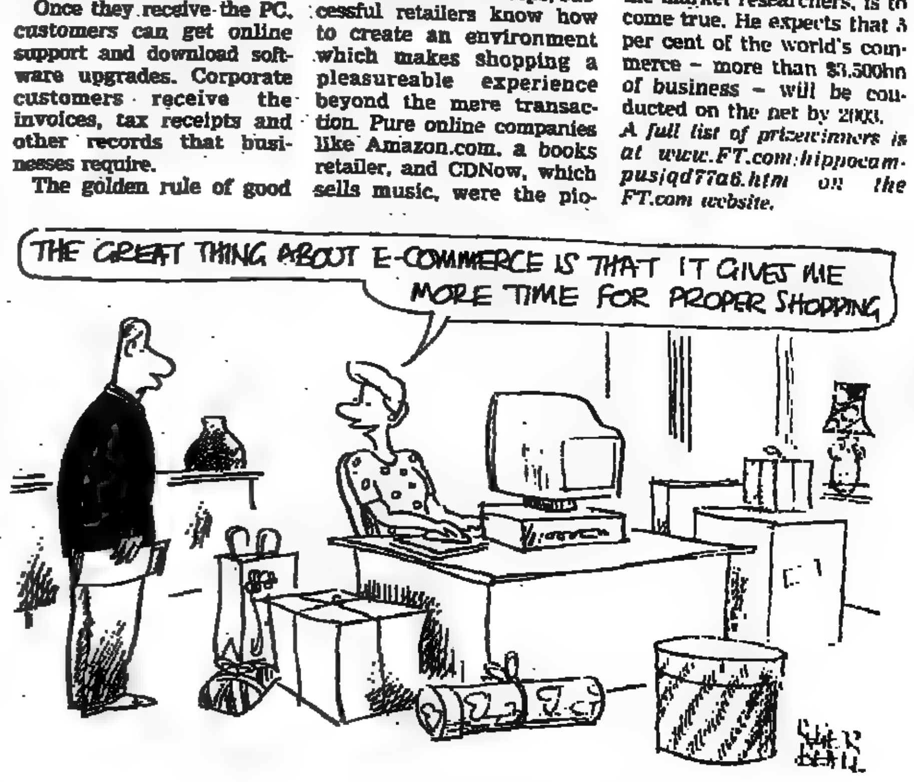
In conventional shops, successful retailers know how to create an environment which makes shopping a pleasureable experience beyond the mere transaction. Pure online companies like Amazon.com, a books retailer, and CDNow, which sells music, were the pioneers in e-commerce, but established retailers like The Gap, Levi Strauss and Sears are belatedly taking to the net, bringing with them customer-focused know-how.

Financial markets are putting a price on the value of good design. Recent announcements of site revamps by Egghead, a seller of computer software, and Books-A-Million, a chain of bookstores, both prompted investors to run up the companies' share price. The logic is that a better designed site will generate more sales and thus earnings.

It is not only design that is spurring internet commerce. The net now has millions of consumers who have been online for more than a year. They are daily becoming more comfortable and confident about shopping electronically. The cost savings and convenience of online systems is driving business-to-business sales. In the US, the Clinton administration's promise that internet commerce will not be taxed for at least three years, and its efforts to extend that policy worldwide, is also a boost.

But it will be mainly by design not accident if a forecast by George Colony, president of Forrester Research, the market researchers, is to come true. He expects that 3 per cent of the world's commerce – more than $3,500bn of business – will be conducted on the net by 2003.

*A full list of prizewinners is at www.FT.com/hippocampus/qd77a6.htm on the FT.com website.*



FINANCIAL TIMES SURVEY http://www.FT...

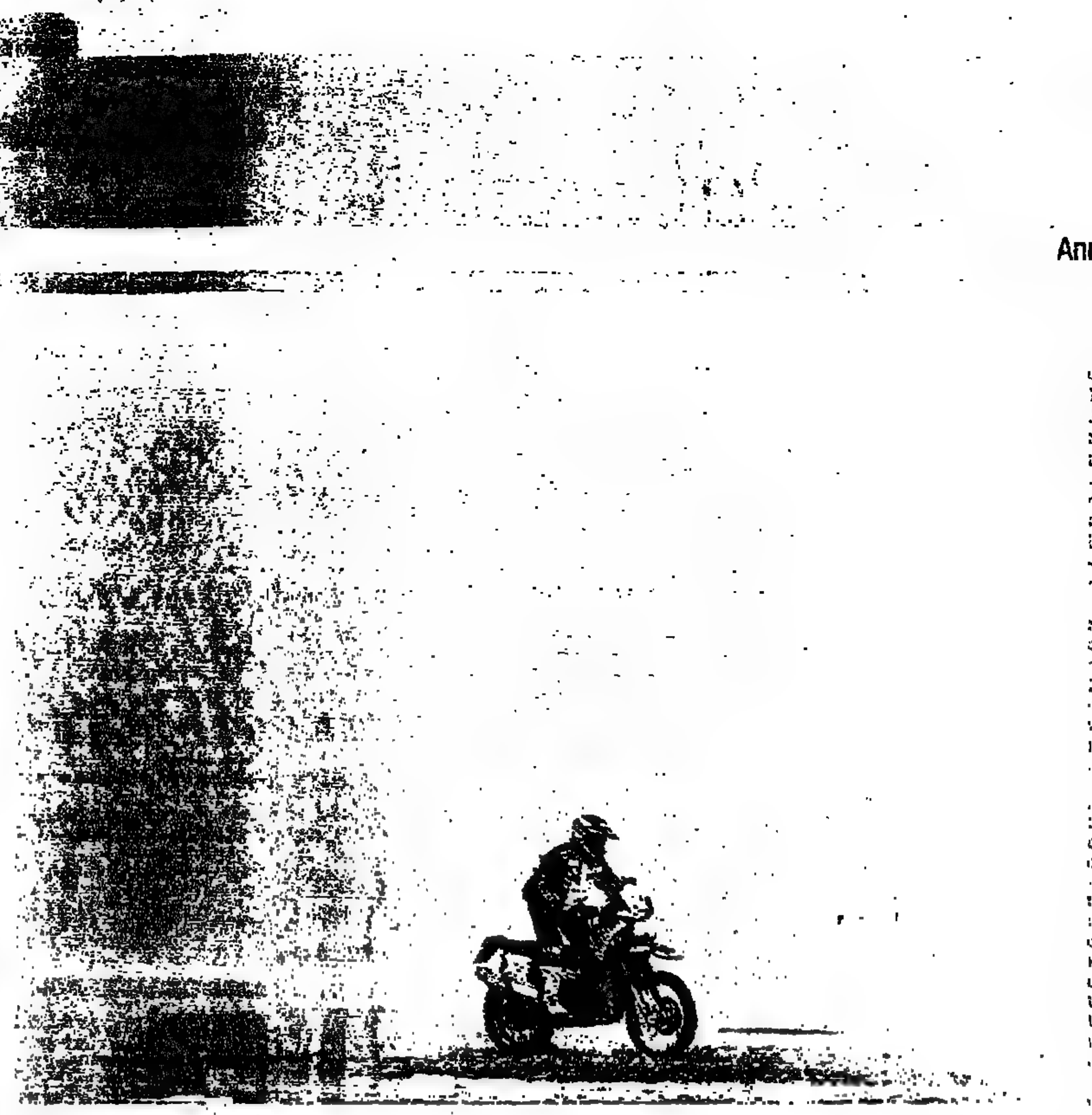
MAURITANIA

FRIDAY DECEMBER 4 1998

Annual country review

# Nomads on long journey to nationhood

Change is a slow and painful process but, says **Mark Huband**, the problems of race, slavery and the economy are being addressed



Mauritania's geology is said to be amongst the oldest in Africa, having remained unchanged for the past 450m years. A national joke is that the country's social characteristics follow this lead.

The joke is a little unfair. Forty years ago Mauritania did not even have a capital city, its nomadic population were the very poor relations of the French empire, its entire territory was claimed by Morocco until 1969 and its population of black Africans and Arab Moors straddled two worlds and felt comfortable with neither.

Faced with an apparent potential for immense instability, Mauritania has survived. A once highly-centralised economy is emerging from eight years of structural adjustment guided by the International Monetary Fund. The result has been 5 per cent economic growth this year and a growth trend averaging 4 per cent over the past four years.

Meanwhile, the political repression of military rule has been replaced by a multi-party political system which, whilst entrenching the former single party in power, has brought key issues facing the country into the arena of public debate for the first time.

Mauritania is the country that should never have been. The assertion is not an empty one, for while its borders were originally defined more by the territory of its neighbours than any semblance of internal cohesion, so its people were the region's least-likely candidates for nation-building.

At independence in 1960, 83 per cent of the population was nomadic, the rest being scattered among small villages and settlements. Now that figure has been exactly reversed. A devastating drought which lasted for a decade from the early 1970s, decimated animal herds, traditional family life and the rural economy, heralding a drift to mud-built shanty towns which to this day encircle the urban centres.

Mauritania's history since independence can be divided into two periods: pre and post-drought. For, as the social pressures brought on by drought led to urbanisation, so the social fabric was strained to breaking-point. Tribal loyalties, rural hierarchies, the notorious practices of a slave-owning class and the role of the state were thrown into sharp focus, as the inability of the country to overcome the immense hardships of those years became obvious.

Economic reform is a response to this past, rather than marking a profound shift in political thinking. The state could not organise itself to provide the minimum guarantees of national survival, so it has allowed a fledgling private sector to take over certain economic sectors. Meanwhile, the slave owners could no longer afford to keep their human possessions, so the practice waned, though it is still to be found.

Central to economic considerations has been acknowledgement of the need to wean the country away from reliance on iron-ore mining and fishing which, together, account for Mauritania's entire foreign exchange earnings.

Susceptibility to world market prices and shifting demand in both sectors has been harshly revealed during the past year with crisis in south Asia leading to a fall in demand for fish from the country's largest market, Japan, with which Mauritania is in the rare position of having a trade surplus.

Pressure is now growing for the government to make good on its generally successful structural adjustment programme, by facilitating the emergence of a domestic market while also producing greater added value from exports.

Criticism of economic policy has centred on the fact that, while growth is positive, wealth has not spread. Geographically, the two main exports benefit the coastal populations in Nouakchott and the economic capital, Nouadhibou. Meanwhile, the interior of the country, away from the southern agricultural lands of the Senegal river, is a wasteland.

Echbih Ould Ahmed Saleck, deputy managing director of Ciment de Mauritanie, the country's leading private cement manufacturer based in Nouakchott, laments the fact that, because there is no linking road, his company's product is not used in Nouadhibou.

"The cement used in Nouadhibou is imported. Nor is a road between Nouakchott and Nouadhibou a priority [although one is planned], because everything that is produced in or near Nouadhibou is for export, by ship, from there."

The company has the capacity to produce double its current output. But the limitations on its activities are an example of how ill-equipped the economic infrastructure is to meet the needs of the private sector, the internal market and an annual urbanisation rate of 6.9 per cent.

"Even if we have good macro figures, it doesn't really benefit the poor. We have 5 per cent growth but there's bad distribution of wealth," says Mohamed Oumarou, deputy governor of the Central Bank of Mauritania.

Mauritania's status, in World Bank terms, as a Highly-Indebted Poor Country ranking 98th on the United Nations' Development Programme scale of 132 nations in terms of GNP per capita, is but a superficial categorisation of deep-rooted aspects of the social fabric which worsening poverty has exacerbated.

The drought of the 1970s which decimated animal herds, also brought an end to the economic structure which had sustained the nomadic population.

Structural adjustment in the 1990s coincided with Africa-wide grassroots pressure for multiparty democracy, which has since taken on a form reflecting the new economic, demographic and social realities with which Mauritania is faced.

Chief among these new political concerns is the Haratine, the former slaves whose plight was recognised in 1981 when slavery was outlawed but whose economic condition and social position has barely improved.

"We have a very deep social problem: the Haratine," says Ahmed Ould Daddah, secretary general of the Union des Forces Democratiques-Nouvelle Ere (UFD-NE), the main opposition party. "What is the situation now as regards slavery? There are people who work without payment. Also, there are freed slaves who have nothing and cannot leave their situation. So they stay in a feudal situation."

Demands for social justice for the former slave class are matched by calls for equality in the treatment of the black African population, who comprise 32 per cent of the population, by the Arab Moors who dominate the political and economic establishment and have, their critics argue, attempted the full Arabisation of the country.

Tension between the two exploded into violence in 1989, when thousands of African-Mauritanians fled to Senegal and Arabs fled from there to Mauritania following a dispute over farming rights along the Senegal river. While the dispute has been settled, it revealed tensions which continue to lie just beneath the surface.

President Maaouiya Ould Sid Ahmed Taya, the army colonel who seized power in a bloodless palace coup in December 1984, has made social stability his watchword since his election in multiparty contests in 1992 and subsequently in 1997.

Severely testing the reform programme has been the accusation among political opponents that the government is neither united in itself nor capable of uniting the country. Nine cabinet reshuffles, including several changes of prime minister, in the past 18 months have exasperated foreign interlocutors keen to see consistency, as much as they have induced scathing mockery among opposition parties.

Condemnation of the government's human rights record, in particular its regulation and censorship of the independent press, and the de facto denial of opposition access to the official media, have tainted the commitment to reform.

"You can only change things slowly and, to do so much prudence and caution must be employed," says Mohamed Yehdhih Ould Moctar El Hassan, secretary general of the ruling Partie Republicaine Democratique et Sociale (PRDS).

With economic control largely in the hands of government sympathisers but economic fortunes ultimately dependent on the readiness of foreign donors to reschedule debt, there is room for further reform.

Prudence may have facilitated a reasonably painless transition. The question now being asked is: what is that transition ultimately supposed to bring?

ECONOMY by Mark Huband

# Building on solid ground

**Moves towards liberalisation are transforming a political elite into an economic elite but the economic fundamentals, and first world benefactors, are in place**

When Mauritania launched its stealthy moves towards economic liberalisation in 1992, four families entrenched their influence over the economy by taking majority stakes in the privatised banking sector.

The trend was set as liberalisation placed substantial financial resources in the hands of the same elite that hitherto controlled those resources through political decision-making during periods of state control.

A significant feature of Mauritania's efforts to move away from state control has been the problem of finding a broad and dynamic private sector to take over.

Just as political life resembles juggling, with the same personalities falling in or out of favour, so in the economic life of the country monopolies may no longer belong to the state but they are still monopolies.

Extensive restructuring of the public sector since 1990, coupled with strict monetary control, has allowed the government to lay the groundwork for economic reforms which brought average 4 per cent GDP growth in 1992-97 and a 2.5 per cent budget surplus this year. GDP growth in 1998 is expected to be 5 per cent.

"It's an economy that doesn't have significant problems but it doesn't have sufficient growth to make a difference," says Jean Mazurelle, World Bank representative in Nouakchott.

Mauritania's survival on a knife-edge between disaster and stability has been assured by the determination of foreign donors not to allow it to fall off the map. The country ranks 98th on the United Nations Development Programme 132-country league table showing GDP per capita and is deemed a Highly-Indebted Poor Country (HIPC).

Strategically it has been recognised by the US as a factor in the Middle East peace process and, equally important, as a mediating presence in the Western Sahara issue. Economic analysts are in no doubt that growing Mauritanian moderation towards Israel and influence in the Maghreb have been the 'quid pro quo' for western aid.

Dominating relations with creditors has been a $2.4bn foreign debt, repayment of which will create a debt service ratio of 50 per cent of GDP when the principal sum starts to be repaid in 1999. This is equivalent to 318 per cent of exports and 146 per cent of GDP.

The numbers are sufficiently catastrophic for the World Bank to be drawing-up plans for a $300m debt reduction to bring it down to a sustainable level.

As an HIPC, Mauritania is likely to secure a World Bank Enhanced Structural Adjustment Facility in 1999-2001. This will permit the rescheduling of multilateral and bi-lateral debt.

Meanwhile, donor support for economic reform has provided the government with investment funds for key areas of the economy.

A planned 1998-2001 infrastructure, rural development and industrial investment programme, requiring UM124bn ($826m), will be 90 per cent reliant upon loans and grants from donor agencies. Meanwhile, the European Union is to provide Ecu59m over 25 years as a grant to the government which will provide it as soft loans to Snim, the state-owned mining company.

Even so, total public investment for 1998-2001 is planned by the government to reach UM136bn ($780m). The financing gap for 1998 is put at $154m and lies behind requests for the rescheduling of $130m of external debt. It is now generally accepted that without debt reduction, it will not be possible for the government to continue along its reformist path.

In return for debt reduction, the government has confirmed its determination to reduce production costs and regulate the currency exchange system to end the official and black market exchange rate variation.

Members of the Paris Club of public donors have criticised Mauritania for using aid to develop existing productive sectors, rather than tackling the more fundamental need to create jobs throughout the economy, thereby reducing poverty levels and meeting the employment needs of 50,000 new entrants to the job market every year.

"We have reserves equivalent to 12 months imports, a budget surplus and 5 per cent growth," says Mohamed Oumarou, deputy governor of the Central Bank of Mauritania (CBM).

"But even if we have good macro figures, it doesn't really benefit the poor because there is bad distribution of wealth."

The CBM has retained substantial reserves – amounting to $200m and representing 1.8 times the money circulating in the economy. This has allowed it to meet all demands for cash from retail and investment banks.

Now it is under pressure to liberalise exchange rates. Pressure for a further devaluation of the currency, the Ouguiya, has been resisted since the benefit of devaluation – that it will improve export competitiveness – is countered by the argument that, with a large pool of cheap labour, production costs are already low.

An 11.7 per cent devaluation in July was not accompanied by the necessary interest rate reduction to prevent the gap between the official and black market exchange rates widening to the current 25 per cent.

Further to pressure for fiscal reforms, donor pressure for increasing private sector involvement has also been mounting.

"The problem with having an oligarchy in power is that there's no real market. Not in banking or fishing or mining. There's no substantial domestic market in anything," says one diplomat.

Privatisation has prepared the ground for an active private sector but it is awaited more in hope than expectation. This is even true of the mining sector, where substantial foreign activity is in the early stages.

And economists insist that without an increase in foreign investment in manufacturing and other sectors outside traditional areas the private sector cannot be an engine for growth.

Despite 60.5 per cent of GDP being accounted for by the private sector in 1996, donors have criticised government investment patterns as having entrenched the economic power of the wealthy elite.

Only 20 per cent of the budget was allocated to social and institutional development in 1996, a figure which must increase if there is to be a realignment of the economy, to spread wealth, raise living standards and create a domestic market.

The private sector is growing. Its share of investment in 1997 increased to 15.5 per cent of the total, compared with 10 per cent in 1996. Public investment decreased from 4.3 per cent to 3.9 per cent in the same period.

Foreign interest is minimal. FDI stood at a mere $5.6m in 1998 and is expected to reach only $10m by 2007.

The government is committed to privatisation. Since 1990 majority stakes in 19 out of 41 parastatal companies were sold as were minority stakes in a further 10. The parastatal sector still accounts for 15 per cent of GDP. By April 1999 the government aims to sell its entire stake in four companies and, by December 1999, to have disposed of one mining company.

The post and telecommunications company, OPT, is to be split in two and investors sought. The process will be repeated for Sonelec, the water and electricity company and Air Mauritanie, the national airline.

Foreign investors remain the key to the success of privatisations but the size of the offers is a formidable hurdle to their sucess. Sonelec currently provides power to a mere 28,000 households and water to 27,000. Only 17,000 telephones are currently in use.

The limited attractiveness of such investments, with poverty hampering the potential for the expansion, is Mauritania's relative obscurity.

"There's a lack of dynamism on the part of Mauritania to make itself known to the outside world," says Mohamed Saleck Ould Heyine, managing director of Snim, the state-owned mining company.

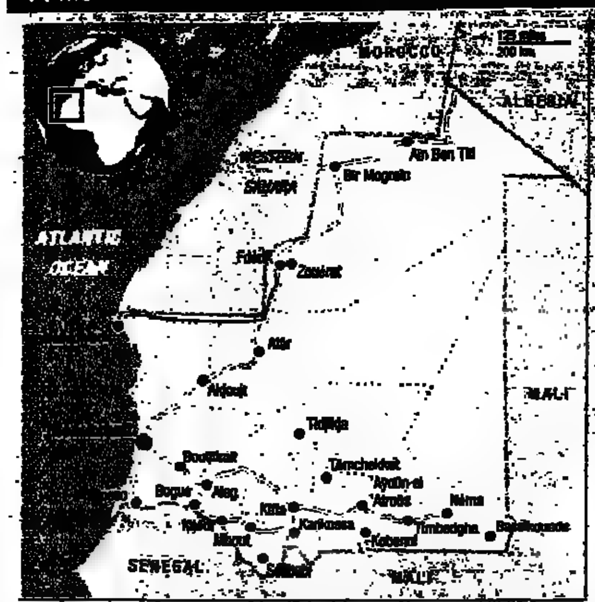
His view is echoed by bankers, businessmen and politicians all concerned that the uncommunicative nature of the government is a hindrance to the successful exploitation of solid economic fundamentals.

"In a reform programme, they must explain the direction they are going in," says a Nouakchott-based economist. "But it's a very military system and the president is very introverted."

## FT file

Constitution

Economic summary



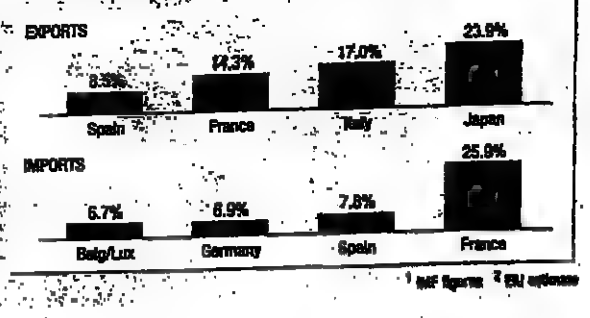
| | | |
|---|---|---|
| 1,000,000 | | |
| 180,000 | | |
| 55,000 | | |
| 30,000 | | |

Exchange rate: November 27 1998

**Economic summary**

| | 1996 | 1997 |
|---|---|---|
| Real GDP growth (annual % change)[1] | 4.4 | 4.5 |
| Inflation (annual % change in CPI)[1] | 3.0 | 3.0 |
| External debt-service ratio, paid (%) | 21.7 | 17.5[2] |
| Reserves excluding gold ($m) | 141.2 | 200.8 |
| Total foreign debt ($m) | 2363 | 2410[2] |
| Current account balance ($m) | 27 | 29 |
| Exports ($m) | 488 | 392 |
| Imports ($m) | -482 | -411 |
| Trade balance ($m) | 35 | -19 |

Main trading partners (share of total trade to world 1997)



Constitution

Strongly influenced by the sharia (Islamic law), based on the 1991 constitution

• National legislature

Bicameral National Assembly, consists of an upper house with 56 senators and a

Head of state

Sources: Economist Intelligence Unit; IMF

[1] IMF figures [2] EIU estimates

CASE STUDY
**AIR MAURITANIE**

# A holding pattern

Until the government achieves its plan to build a new road, Mauritania's commercial and political capitals are linked either by a 300km drive along the beach or a 30-minute flight by *Air Mauritanie*.

Since the start of extensive restructuring, the national carrier's fleet has shrunk to one Fokker-28 aircraft. Part of the charm of the airline can be seen when the pride of the fleet takes-off and the crew battle with the overhead lockers which are determined to burst open.

This is nothing to do with the proven high quality of the aircraft but merely a sign of the pressure to which this sole plane is now subject. In the course of one day it may fly to Mali, Senegal, Nouadhibou and on to the Canary Islands. It is the only modern connection Mauritania possesses to the outside world.

By mid-1998 the airline owed Fokker UM758m ($4.3m) for the purchase of one of its two F-28s, the other being leased. It also had to make quarterly payments of UM150m ($0.85m) to ATR of France *for the purchase of two* passenger aircraft.

Coupled with its debt owed to manufacturers, the airline had amassed UM839m ($4.9m) in short-term debts owed to foreign suppliers and UM298m ($1.7m) owed to domestic suppliers. Aside from monies owed to suppliers, long-term debts brought the airline's total indebtedness to UM4bn ($23m) by mid-1998.

Determined to halt the airline's plunge towards bankruptcy, the government in July seconded an economist from the Central Bank of Mauritania to take charge as the airline's financial director.

"Bad strategic investment choices created the problems in the first place," says Ahmed Ould Moulaye Ahmed, the official charged with reversing the fortunes of one of Mauritania's few nationwide institutions.

"Air fares were much too low. The structure of the business had to move away from reliance on subsidies. We can't introduce a restructuring while there is a financial crisis. Only after the financial crisis is over can we try and find other shareholders."

The two ATR aircraft, bought in 1996 for $25m payable over 10 years, were returned to the manufacturer, following in the flightpath of the airline's second leased Fokker.

A 30 per cent staff cut, which was strongly criticised by trade unions, has led to 111 redundancies, bringing the workforce down to 243, which the company expects will save it UM170m ($1m) annually from the salary bill.

Simultaneously, the government, which has a 68 per cent stake in the airline, saw to it that foreign and domestic suppliers received UM140m ($0.82m) and UM30m ($0.17m) respectively, to bring payment of outstanding invoices up to date.

Within a month of the restructuring, the airline had brought itself out of debt with local banks. Now it is seeking new shareholders with the aim of securing finance to buy a second aircraft. By the end of 1999 it intends to have all-but 15 per cent of the company sold to the private sector.

"We are looking for a foreign partner," says Mr Ahmed. "By the end of 1999 we will have completed the privatisation and a sale to a strategic partner – we are in discussions with potential foreign buyers."

While the Nouakchott to Nouadhibou route can earn the airline $15 profit per passenger if the flight is full, the airline's public service role is under review. Mr Ahmed insists that even while preserving "political" air links to the interior of the country, which are unlikely ever to be profitable, there are strong arguments for ensuring the survival of the airline.

"Nouakchott to Nouadhibou is profitable, as are the international routes. The question is how the 'political' routes – the non-profitable routes to isolated parts of the country – will be subsidised. There is a problem of providing a public service," he says.

**Mark Huband**

WESTERN SAHARA by Mark Huband

# Mirage in the desert

A referendum on the future of the territory will not provide an answer unless it is preceded by a political settlement

Since Mauritania was forced to rescind its claim to the Western Sahara in 1979 it has attempted to play a neutral role in the search for a solution to the conflict which has dominated north-west Africa for almost a quarter-century.

Both Mauritania and Morocco were accorded parts of the former Spanish colony when Spain withdrew in 1975. That year Morocco sent thousands of civilians on the so-called 'Green March', to cement the Moroccan claim.

Mauritania found itself targeted by armed resistance from the Frente Popular para la Liberácion de Saguia el-Hamra y Rio de Oro or 'Polisario Front', the Algerian-backed force which has fought for the independence of the territory as a homeland for the Sahraoui people.

Mauritania signed a ceasefire with Polisario in 1978 but the escalation of the conflict into a war between Moroccan forces and the Polisario entangled the fate of the Western Sahara in a regional web with vital domestic political considerations for all the parties.

A United Nations plan to hold a referendum of residents of the Western Sahara, to allow them to choose between independence or Moroccan control, is regarded in Mauritania – as elsewhere in the region – as unlikely to end the conflict unless it is preceded by a political agreement.

Mauritania – while generally maintaining a diplomatic silence on the issue – has promoted the idea of a pre-referendum agreement with the plebiscite itself acting as confirmation of whatever agreement is arrived at.

"We think it is necessary for the parties to first reach a political accord, to prepare the ground for the referendum," says Mohamed Yehdhih Ould Moctar El Hassan, secretary general of Mauritania's ruling Democratic and Social Republican Party.

"A referendum without a political solution [in advance] won't succeed. It's imperative to take into account the needs of the [Sahraoui] people. A solution cannot be a 100 per cent Moroccan nor Algerian solution. The stability of the entire Arab Maghreb Union is at stake here," he says.

Meanwhile, thousands of Moroccans attempting to register for the as-yet undated referendum have been rejected by UN officials on the grounds that they are not Sahraoui. The Polisario Front remains deeply sceptical of the referendum, largely due to Morocco's stated position that it will not accept a result that goes against the incorporation of the territory into Morocco.

"Mauritania is afraid of a big influx of Sahraouis, of people who couldn't accept a referendum going in favour of Morocco. If they came to Mauritania they could tip the scales of power and they would be militarily strong," says a western diplomat in Nouakchott.

"The Mauritanian view is that if the solution isn't mutually agreed, the problem cannot be solved. The solution has to be first and foremost a political solution. And Mauritania is the only country that says this. All the others approve of the UN settlement. But the Mauritanians know that the UN settlement won't work unless there's a political settlement in advance," he says.

For King Hassan of Morocco, the loss of the Western Sahara would severely undermine his domestic prestige. In neighbouring Algeria, the Western Sahara campaign is regarded by regional observers as a useful card to be played by the armed forces, which have equipped and supported the Polisario since 1975.

For the Polisario Front, the loss of the territory would prompt a convergence on Mauritania. The Sahraoui are ethnically linked to the R'gueibatt of northern Mauritania, and many Mauritanians have close relatives among the Polisario, which the government views as potentially destabilising.

"Neither of the solutions – an independent Sahraoui state or the incorporation of the Western Sahara into Morocco – is one that suits Mauritania," says a regional observer.

"A Sahraoui state is a real nightmare for the regime because it could create a [Moorish] nationalist movement among the population, which is both black and Moor. Equally, if the Western Sahara becomes Moroccan, it would be a worry as Morocco only gave up its claim to Mauritanian territory in 1965."

Neither Morocco nor Mauritania dares mention La Guera, a spit of land at the southern coastal tip of the Western Sahara which is half Mauritanian and half in the disputed territory.

The entire area was occupied by Mauritania as part of its 1978 ceasefire with the Polisario and is, theoretically, claimed by Morocco. Mauritania fears that its loss could undermine the functioning of its main economic capital and port at Nouadhibou.

"If there was an agreement on the Western Sahara, if there was a solution, then I think we would see a tremendous development of hydrocarbons, both in the Western Sahara and northern Mauritania," says Marco Mazzochi-Alemanni, European Union representative in Nouakchott.

Extensive testing for hydrocarbons is now under way in northern Mauritania. The government realises that without a solution to the Western Sahara issue foreign companies may be reluctant to invest in an area which could experience the fall-out from a collapse in the peace process.

Rugs to riches: Vivi Mint Feiji

Nouakchott Info

PROFILE
VIVI MINT FEIJI

# Queen of the rug trade

Vivi Mint Feiji seized her chance when she heard that the King of Spain was planning a visit.

"I bought wool with my own money and spent months making a carpet with the Spanish royal coat of arms on it. I took it to the President's office and suggested they to give it to the king as a present," she says.

Like most Mauritanian women Mrs Feiji is not used to being put off and before long she was taking government orders for carpets that have ranged from "Welcome to Nouadhibou" in Arabic to "Nouakchott Lions", as well as bespoke rugs with personalised designs.

Now, she is planning a three-dimensional carpet, recreating with 100,000 tufts per square metre, the poster for the Hanover 2000 trade fair. Mrs Feiji has nearly 2,000 women working for her in 88 co-operatives throughout the country as well as an administrative staff of 30 (women, of course) and has established her company – Matis – as a global prize winner.

"We haven't got there yet but we are very happy. We don't owe a single Ouguiya," she beams.

Life was not always so comfortable. Mrs Feiji started as the personnel officer for a state carpet company set up in the mid 1960s for "the promotion of women through work" which, like many aid-based incentives, lurched from drama to crisis.

When the factory finally shut down in 1990, she gathered the training and administration staff and persuaded them that they could run the business themselves. But the government turned them down, hoping an entrepreneur would snap up the business. Several men considered buying the factory but were unable to see it as a viable company.

"It was a complete mess. The roof was falling in and there was no floor. The liabilities were three or four times the assets.

"Everyone turned me down but this was what I wanted to do and I slept in front of ministers' doors to get an appointment."

Eventually, an embattled administration agreed to pay off half the outstanding salaries and all the other liabilities leaving Mrs Feiji and her team a bill of 3.7m Ouguiya, about $18,500 in a country where annual incomes average $460.

The company still does not have enough cash to hold significant wool stocks but it is looking at using camel hair, which is cheaper than wool and available locally. Matis has built up capital of almost $50,000 in the past four years and can now produce up to 500 carpets a year.

Mrs Feiji has more orders than she can handle and says she could double output if she could only overcome a perennial Mauritanian problem – financing. With credit at 30 per cent, the only hope is an visionary backer.

And she hopes important visitors might be swayed as they enter the country. Anyone on official business slips past the general chaos at Nouakchott airport and is whisked instead through the Salon d'Honneur which is covered from floor to ceiling in Matis' carpets.

When President Taya wants to roll out the red carpet, he calls on Vivi.

**Peter John**

WOMEN by Peter John

# Veils hide the truth

Islamic conventions are observed but do not imply inequality

Whenever the minister for women crops up in conversation, men throw their hands up in exasperation.

"We don't need a *ministre pour la condition feminine*," they say. "We need a *ministre pour la condition masculine*."

As jokes go, it ranks alongside: "Take my mother in law – I wish you would." And, in the context of Mauritania's short history, it is almost as old.

However, it highlights the unique position women hold in an otherwise conventional Islamic culture. Alcohol is rare, Islamic law is the mainspring of the legal system and veils are commonly worn. But any impression of subservience is purely illusory. Women occupy positions of power at ministerial level, hold senior positions in companies and are behind several big commercial and government initiatives.

Women even have a strong presence in international organisations. For example, Memoune Mohamdy Laily runs the main booking office of Air Afrique.

"The Mauritanian woman is totally free," says businesswoman Lemat Mint Megueya. "When we were a nomadic society, the men used to bring back the money and the women managed it. She took control of the economy of the household."

As a result, it is unsurprising that women took to commerce naturally.

Mrs Megueya says 70 per cent of the small business sector is run by women. They have so many shops in the teeming central market that a year ago they decided to build their own. Because they were unhappy with the fees they were paying, 240 women got together to build a new luxury goods market. No mean feat as the cripplingly high credit rates and general reluctance by banks to lend to women meant they had to pay for the construction themselves.

The market is a cross between a souk and a US shopping mall. The inside gleams with marble tiles and there is a supermarket, pharmacy, medical centre, restaurant and exhibition hall.

And the market is a symbol of bigger ambitions. As head of the Mauritanian Businesswomen's Union, Mrs Megueya is also pushing for the creation of a women's bank and a clutch of international trade links.

In a country where communication is not seen as a priority, women are refreshingly happy to chat.

They have also shown themselves happy to get their hands dirty. Vatunetou Mint Sidi Ahmed, a middle class housewife for many years, now runs the main street cleaning company in the capital. With an executive team of 15 women and 200 employees she cleans three of its nine suburbs.

Mrs Ahmed is typical of many of the feisty Mauritanian businesswomen. Married soon after university to a wealthy businessman she spent seven years as a housewife completely untroubled by the piles of household rubbish that littered the streets, only to be cleared away occasionally by the local government.

Then, on holiday in the Los Palmas resort in Majorca, she was shocked to be asked to pay for her rubbish to be taken away. "I said I wouldn't pay. I had never had to pay at home. The rubbish stayed there for a couple of days until it was crawling with insects. I gave in but we had never had proper street cleaning in Nouakchott and it gave me an idea."

When she got home, she badgered her society neighbours to join her in the muck business and, although some thought she was mad, she got 11 friends together, all of them women.

She had empty oil drums mounted on donkey carts and the carts went from house to house collecting the rubbish. At first the household paid but now the local authority pays the contract, with help from the inevitable non-government organisation aid, and she cleans up a third of the city.

"In many ways," says Nancy Abeiderrahmane, the British honorary consul in Mauritania, "women are better off here than in the west. They keep their names and their property and they can keep their children if they get divorced."

**FISHING** by Peter John

# Slipping through the net

## The failure to control its catch-rich waters is costing the country dear

Sea of trouble: the country has been unable to make the most of a valuable asset

AP

In a country with one of the richest fishing grounds in the world, one would expect an equally rich maritime tradition. But Mauritania has spent less than 20 years exploiting the resource that generates more than half of its overseas income. "The problem is that Mauritania cannot control its economic zone," says a diplomat. "The Chinese, Koreans, Spanish and Dutch all fish under licence here. Mauritania's fishing income went down last year and is expected to go down further this year."

The reason is geographic. From Nouadhibou in the north to N'Diago in the south, large areas of the coastal strip are virtually uninhabitable. As far as 100km inland, the water is brackish and even the supply to the capital has to be piped from the hinterland.

Apart from a few fisherman at either end of the country, Mauritanians left the waters to European, eastern European and Chinese trawlers in return for licence fees. The situation has changed to the extent that the industry now employs 26,000.

Most of the fishing is carried out in the same way it has been for centuries. Japanese outboards may have replaced sails but the colourful open boats are still carried off the beach at dusk by crews of teenagers and young boys who spend the night hunting octopus. There are also 173 trawlers supplying cleaning, freezing and storage plants near the capital and at Nouadhibou, the economic centre.

Exports of fresh and frozen fish brought in about $200m with a further $60m provided by the EU for the right to fish in Mauritanian waters.

In a country where privatisation is seen as the key to the coffers of international aid, fishing is held up as the way forward. It represents 13 per cent of the gross national product and the SMCP, the marketing organisation responsible for all frozen fish exports has now been 65 per cent privatised.

Nevertheless, years of overseas grants and internal laissez faire have left the country effectively hamstrung. World prices have dropped and over-fishing, partly because of a casual attitude towards licensing in the past, eats into the potential catch. Factory ships scrape the sea floor for octopus and squid, process them on board and carry them directly to Japan, bypassing the Mauritanian plants.

The same goes for the Spanish trawlers which make the five-day trip down the coast for the plankton-rich shoal grounds. Consequently, the government bans fishing during the breeding season – September and October – but the lack of an effective patrol fleet leaves the area wide open to poachers.

The EU agreement is in force until 2001, so the country remains hostage to external pressures until then. "The price of fish has fallen and so has the quantity available in our waters. Also, our most important market is Japan, which is suffering an economic crisis," says Boydiel ould Houmed, head of SMCP.

The honour of being one of the few countries to have a trade surplus with Japan could become tarnished. International economists are well aware of the potential impact on the country of the global economic slowdown and Mauritania's narrow margin of manoeuvrability.

Jean Mazurelle of the World Bank says: "We are worried about the Japanese effect. If fish income goes down, it cannot be replaced by mining revenue for at least five years because mining is capital intensive."

Theo Saramandis of the EU commission says fish exports have fallen from more than two-thirds of foreign income in 1996 to about half this year. The government has responded with a new strategy which includes extending the offshore exclusion zone from six miles to 12 and cutting the number of licensed boats.

But it will not come into force for at least three years and then only if a more favourable agreement can be thrashed out with Brussels. In the meantime, the effort is to add value by persuading foreign boats to offload their catches in Mauritanian ports and factories to get more out of the fish.

"We sell frozen fish to a country which gives it a little twist and sells it for 10 times as much. We have to move along the chain by carrying out our own packing, by making it ready for the table and by using the whole fish," says a factory manager in Nouadhibou.

"We hope the next EU agreement will permit joint ventures, and regulations on unloading catches here," says Mohamed Mahmoud Sidina Sadegh, the head of the National Federation of Fishing. "If the strategy is enforced, we will have a new start. We have the potential to export a great deal more and to add much more value."

Mauritania is a country resting on minerals and flanked by seafood. Its misfortune is that it is still failing to exploit at least one of those prime resources.

**MINING** by Peter John

# Model of resourcefulness

## The industry is relatively sophisticated but badly in need of foreign investment

Mining is Mauritania's window on the west. In a region which can be frustratingly byzantine, the exploitation of mineral resources is held up as a model of modern business practice.

"It is very promising," says Jean Mazurelle of the World Bank. "There is a will to open up and allow foreign companies to exploit the resources. Mauritania needs as many investors as possible, as quickly as possible. We have to prime the pump."

The industry is dominated by Société Nationale Industrielle et Miniere de Mauritanie (Snim), a state-owned conglomerate wrested from France after independence.

Mohamed Salek ould Heyine, Snim's chief executive, presents a picture of a first world company in a third world country. "Our role is as a model of industry for foreign companies. We work exclusively with foreign companies and have done so harmoniously for 35 years. We can show a high level of domestic skill. We only have 24 expatriates in a workforce of 4,000 and we are comparable with the global operators in a very competitive market," he says.

In line with the current enthusiasm for privatisation, Mr Heyine is in favour of wider ownership. The company is 80 per cent state-owned with the remainder held by Jordanian and Kuwaiti investors as well as the Islamic Bank. It has no rating with the US credit rating companies, S&P and Moody's, but is considering a flotation of 25 per cent of its stock in London.

But foreign involvement in mining does not begin and end with Snim. GGR of Australia has been mining for gold for five years and is held up as an example for other internationals to follow. And licences have been granted for high quality diamonds near Chinguetti, east of Nouadhibou, as well as 2,600 tonnes of cobalt.

Elsewhere, Mauritania's extensive oil and gas reserves have been left untapped partly because of the slump in crude prices and partly because of the delicate political question of the Western Sahara region, which awaits a referendum on ownership. But the government has issued an ordinance outlining its legal and fiscal claim on the country's hydrocarbons. Finally, there are large reserves of gypsum, copper and phosphates.

Next year, when the Asian crisis finally hits, could be a rough ride. With commodity prices throughout the world under severe pressure, Mauritania has very little room for manoeuvre.

The International Iron & Steel Institute forecasts that apparent steel consumption in Asia will fall by 2.9 per cent over the short-term. Officials say Billiton, the UK group, has already put a Mauritanian operation on ice because of the poor climate for commodities. Snim has Ecu70m in soft loans connected with EU grants and repayments must begin in the next couple of years.

Nevertheless, there is enough iron ore for 500 years at the current extraction rate and the relative proximity to western manufacturing gives the region an edge over many larger rivals. "We are Europe's corner shop," says Aboubekrine Seddigh, the head of Snim's port operations in Nouadhibou. "We are only five days away and can supply on demand."

Snim has long standing financial and supply agreements and has been approached by three companies for joint ventures. And, while chief executive Mr Heyine shuns the claims of fiefdom, the sheer diversity of the company is likely to minimise the risks ahead.

Snim's complex, so self-contained that it has been described as a state within a state, puts one in mind of the computer game Sim City, which allows players to build a city from scratch, complete with benefits and pitfalls. 'Snim City' is unlikely to turn into a flying saucer and take-off, like its cyber counterpart, but it is a planner's blueprint.

A well-constructed model of industrial success in a country desperate to prove itself globally, Snim last year produced almost 12m tonnes of high grade iron ore at its open cast mines in Zouerate in the north and the exports generated $200m in overseas earnings, more than 10 per cent of gdp.

The company believes recent restructuring will allow it to double last year's profit to $30m. To get the ore to the coast, Snim runs the country's only railway, a 650km stretch of line that carries the world's longest train. The ore is unloaded just outside Nouadhibou, a northern port lifted straight out of a Joseph Conrad novel. There, 24 hours a day, the ore is ground and bucketwheels lift the mountains of black dust on to conveyor belts where it is carried on to the Snim wharf and poured into the holds of container ships.

The Snim machine-works grind down the railway wheels pitted by the sand which blows on to the tracks and the works are powered by the Snim generator. Employees stay in Snim houses and buy food from Snim shops. Visitors stay at the Snim hotel and, in line with the new drive for tourism, they can now take desert charter trips on a new Snim train.

The whole ensures that Mauritania, although one of the world's poorest countries, is the 13th biggest producer of iron ore. One western diplomat described the company as "the largest and most sophisticated industrial operation in western Africa".

That may be true of the upstream operations but Captain Lu Pie Ya of the China Prosperity was not so sure about the downstream end of the business. As he waited for 141 tonnes of ore to be poured into his holds, he complained that the difficult channel to Snim's Cansado Bay wharf was unlit and there were no tugs. His 180m cargo ship had to tie up alongside with no more help than a weekend sailor entering a marina.

Snim City may be the best place to take off but even there notions of western infrastructure sometimes go awry.

**World iron ore production**
(Mt)

| Country | 1995 | 1996 | 1997* |
|---|---|---|---|
| Australia | 142.9 | 147.1 | 165.7 |
| Brazil | 177.0 | 180.0 | 188.0 |
| Canada | 36.6 | 36.0 | 37.3 |
| Chile | 8.2 | 8.1 | 8.1 |
| China | 249.4 | 249.6 | 250.0 |
| India | 66.8 | 67.0 | 67.0 |
| Iran | 8.1 | 9.0 | 7.0 |
| Kazakstan | 14.9 | 12.6 | 12.0 |
| Korea, DPR | 11.0 | 11.0 | 10.0 |
| Mauritania | 11.3 | 11.4 | 11.7 |
| Mexico | 7.1 | 7.8 | 11.2 |
| Peru | 8.2 | 4.3 | 5.0 |
| Russia | 75.9 | 69.6 | 71.8 |
| South Africa | 31.8 | 30.8 | 33.2 |
| Sweden | 19.1 | 20.3 | 21.9 |
| Turkey | 4.9 | 5.0 | 4.9 |
| Ukraine | 50.4 | 48.0 | 48.0 |
| US | 62.5 | 62.1 | 63.0 |
| Venezuela | 18.5 | 18.5 | 18.7 |
| Other | 22.8 | 21.1 | 17.8 |
| Total | 1,027.1 | 1,028.2 | 1,051.4 |

Countries producing less than 5.0mt are included under 'Other'

Source: Mining Journal * Preliminary

FINANCIAL TIMES SURVEYS

GENERAL INFORMATION

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# Swiss orchestra's flame rekindled

At a celebratory concert **Stephen Pettitt** finds faith restored in a previously venerated band

Anyone who knows anything about orchestras and 20th century music knows about the significance of the Orchestre de la Suisse Romande was founded 80 years ago in Geneva by the self-taught conductor, Ernest Ansermet. Under Ansermet's command, for half a century the OSR was admired, respected and loved as a standard-bearer for 20th century orchestral music, which it played with a rare mixture of panache, sensitivity and warmth. I am far from being the only music lover whose shelves are still graced with treasured LPs.

Last weekend the OSR celebrated its anniversary by giving the same programme with which Ansermet launched it back in 1918, as Europe looked with misplaced optimism towards a better future and as art and music entered a sustained phase of dynamic, complex revolution. The celebratory concert, sponsored by the Republic Bank of New York (Suisse), was transmitted live on Swiss television; an impressive number of radio stations from around the world also broadcast or recorded it.

When Ansermet departed it was perhaps inevitable that the OSR would struggle to maintain the musical chemistry that he had achieved with them. Legends are difficult to replace, and Ansermet's successors attempted to do so either by steering the orchestra in other directions or by consolidating Ansermet's repertoire. None – not even the talented but Germanically-oriented Wolfgang Sawallisch (conductor from 1970 to 1980) nor the unabashedly Gallic Armin Jordan (1985-1997) – managed quite to fill the master's shoes.

While other orchestras were increasingly finding their places in what had become a global market, the OSR gave the impression of retreating into provincialism. Although there were recordings, the glittering image was shattered, and most of the world wondered whatever had happened to the OSR. Almost inevitably, standards dropped, and even in this rich city the orchestra experienced financial problems. Only the generosity of a few well-heeled supporters has prevented dire consequences in recent seasons, both for the symphony concerts, most of which take place in the lovely Victoria Hall, and for the Geneva Opera, for which the OSR also plays.

> The last piece of untrammelled springtime joy served as a confident symbol of the OSR's rebirth

Now, however, the OSR's fortunes are improving. Jordan went his own way two seasons ago, and the orchestra appointed as chief conductor the 39-year-old Italian, Fabio Luisi, whose star has been rising slowly but surely as the 1990s have progressed. As well as the OSR post, Luisi currently holds middle-ranking appointments in Vienna (the Niederösterreichisches Tonkunstler Orchester) and Leipzig (the Radio Symphony Orchestra). The recording company Philips has established a relationship with him that bodes extremely well for the OSR at a time when recording contracts with major companies have become like gold dust. Recordings of Verdi and Honegger are imminent; and the essential reputation-enhancing foreign tours are back on the agenda.

No wonder the orchestra, and the city, have taken Luisi to their hearts. Musically, he is a genuinely inspirational figure, as the orchestra's performance of Rimsky-Korsakov's *Scheherazade* in the anniversary concert proved. Older members of the audience were seen to smile knowingly as Luisi rekindled the OSR's flame, making the most of this wonderful score's exotic colours in a dazzling but well-formed, rhythmically disciplined performance.

Earlier, Luisi spoke to me about his long-standing admiration for the orchestra and his desire, at least until 2002, when his current contract expires, to cultivate its best traditions in *terms of repertoire and of sound*. He places particular emphasis upon the OSR's warmth, especially evident in the fine woodwind section.

Yet he is also refreshingly ready to admit that there are still deficiencies which need to be attended to. They lie chiefly in the string section, and were sometimes a little too evident in a Concerto Grossi and an aria by Handel, and in a slightly reckless but aptly celebratory reading of Mozart's "Prague" Symphony. The sunny-toned soprano Valerie LeCoq beautifully sang the Handel aria and two brief numbers by early-20th century Swiss composers, Paul Benner's ripe, Debussyian *Nox*, and Emile Jaques-Dalcroze's *Ronde printanière*. This last was a piece of untrammelled springtime joy, very welcome in Geneva's gloomy winter weather. But in this context it served also as a confident symbol of the OSR's rebirth.

Restoring the musical chemistry: chief conductor Fabio Luisi

The young audience was spellbound by the marvellous storytelling in Dominic Cooke's production: Kate Fleetwood and Tim McMullen

Alastair Muir

# Miracles unfold in tales of eastern promise

THEATRE

**ALASTAIR MACAULAY**

**Arabian Nights**
**Young Vic, London SE1**

The Young Vic – once again – has given us a Christmas entertainment that makes us enthralled by sheer storytelling and sheer theatre, an entertainment that makes seasoned theatregoers feel young again and *that holds the young* audience spellbound.

I always used to think that a child would rather have one sustained tale than several; but the Young Vic's several *Grimm Tales* entertainments in Christmases past proved me wrong. Structurally, this year's offering, *Arabian Nights*, is best of all, for it is one ongoing tale that contains several. Its effect on an audience full of otherwise noisy children proved astonishing. "Long, long ago, in a faraway land, there lived..." What *better beginning* could there be? The children settled into paying attention straightaway; as did the adults.

Swiftly and beautifully the production makes us attend to what makes each of these Arabian Nights stories unique. First, the ongoing tale of *Shahrazad* ("...*there lived a clever* young girl..."); of the King who, furious because his first wife cheated on him, has each of his wives executed after one night; of Shahrazad's choice to become his wife; and then of her marvellous *storytelling skills that keep him in* need of one story after another.

The stage around which the audience sits is simply a circle of sand: on which miracles unfold. There are just nine actors and two musicians, but straightaway they plunge into the tale of Ali Baba and the 40 thieves, the first of Shahrazad's (or Sheherazade's) tales. In one stroke, we believe that six, five, or four actors are all 40 thieves. In another stroke, they become the portals of the rock which only open to the words "Open Sesame". Then they opens to become the secret cave where the thieves keep their treasure. So simple; and so poetic.

Dominic Cooke, who has adapted and directed this selection from *The Thousand and One Nights*, knows *just how much* gore and smut a young audience is happy to take. When the thieves kill and quarter Ali Baba's brother, Cooke shows us the quarters: and, though we laugh, *we really needed to see them*. He also gives us the story "How Abu Hassan Broke Wind"; and boy, does Hassan break wind! His is a humdinger of a fart, perfectly achieved in Gary Yershon's music. The kids – of course – adore it; and so do I. And *the serious and heavy-browed King* Shahrayar, listening to Shahrazad's story, breaks for the first time into laughter, into helpless laughter, the same helpless laughter that we have just been laughing ourselves, and suddenly we feel with renewed force *the sheer nerve of the wonderful* storyteller Shahrazad, we feel the deepening spell of her stories upon her husband, we begin to love him for responding so fully to them, and we begin to love her as a source of enchantment in our lives.

*One poetic detail after another* flies out. The corpse that isn't a corpse and that sticks to everyone like glue; the way the King's Broker drunkenly passes water; the song sung by Es-Sindibad; the puppet with which the other Es-Sindibad illustrates the story of his own history; the winged Rukh, savagely cawing, *on whose back he rides*; the gleaming diamonds all around the valley in which he finds himself; the *mysterious wife* Amina who proves to be a corpse-eating sorceress; and each and every moment of the wonderful "Story of the Envious Sisters".

The actors' very faces are like stories. As Shahrayar, Chu Omambala *is so utterly handsome, authoritative*, and yet naive that everything about Shahrazad's devotion to him and manipulation of him makes complete sense. As Shahrazad, Sophie Okonedo's lovely saucer-eyed face and artless voice are compelling. *Peter Bailie, who plays Ali* Baba and a whole series of other roles, may be the biggest find of the cast: his innocent absorption in every moment is exceptionally vivid and detailed. Kate Fleetwood's extraordinary cheekbones and acting ardour bring truly heroic lustre to the tale of Parizade and to other roles. Tim McMullan's canny-eyed wit, Paul Chahidi's round-faced mixture of generosity and artlessness... Harmage Singh Kalirai, Yasmin Wilde, Ishia Bennison, and the musicians Martin Allen and Keith Thompson all help turn the least *twist* and turn in these tales into credible, riveting magic.

SPONSORSHIP

# Corporate friends needed

Business has responded gingerly to attempts by arts *organisations to raise partnership* funding from them for lottery projects. In theory, every lottery grant over £100,000 requires the arts company to provide a matching 25 per cent.

To date private individuals, foundations and local authorities have been much more generous in providing support than companies, who are worried about the reactions of shareholders if they lavish money on the arts. But, as major lottery *projects near completion*, business is being asked to plug the shrinking gaps.

Next year the Tate Gallery of Modern Art will be looking towards its corporate friends for the £18m it *still needs to complete its* £130m museum at Bankside, while this week another millennium landmark building, the Lowry Centre on the Manchester Ship Canal at Salford, announced that EDS, the IT services company, was giving £2m towards the £8m it is seeking from business to complete its £127m development.

EDS will be providing £400,000 a year for five years and its support will come in a mixture of cash and help in kind – it will ensure that the Lowry will run an efficient box office service.

*As projects near completion* life gets tougher, often because original budgets were under-estimated and the building needs a lottery top-up. Then the arts company has suddenly to find *yet more cash. This was* a problem for the Royal Court but this week's donation of £3m from the Jerwood Foundation means that the theatre will re-open after a £25.8m refurbishment next autumn.

The development directors of arts companies have done wonders, raising around £1.3b, or roughly 60 per cent of the total funding towards the 1900 approved arts lottery projects, which are collectively costed at £2.285b. In *comparison the lottery itself* has provided a relatively modest £910m. Among the first of the new palaces of *culture to open* was Sadler's Wells, a £45m development that gives London a specialist dance house.

The Arts Council was very keen for Sadler's Wells to open quickly so that it could accommodate the Royal Opera and the Royal Ballet while Covent Garden was undergoing its £214m re-development. It gave it a full £36m lottery grant and was happy to accept help in kind as partnership funding. It realised that Sadler's Wells, sited outside the West End and with a populist approach, would find it hard to attract corporate sponsorship.

> As lottery projects near completion, business is being asked to plug the shrinking gaps

Now up and running, Sadler's Wells still needs to raise another £3.6m of its £9.6m partnership funding target to complete the building, most notably the Lilian Baylis studio theatre and the education centre.

It now has every incentive to do so, thanks to the offer of a challenge grant of $750,000 (£450,000) from the Kresge Foundation, a US trust which helps arts organisations that help themselves. Sadler's Wells only *gets the money if it has* raised a further £1.2m through its own devices by next September.

Development director Janet Reeve is hopeful. For a start, this is the first time that the Kresge Foundation has pledged money to an arts company outside the US. In addition, she has already raised over £300,000 of the £1.2m. Finally, she still has much to offer potential sponsors, from the £500 which enables individuals to *have a seat named after* them, to the £3m which would secure the title to the main auditorium.

Already much of the theatre carries the names of backers, notably the excavated wishing well, the source of the theatre's name, which is dedicated to an American couple, Sandy and Jake Ulrich, and the main corporate entertainment space, which bears the moniker of Cable and Wireless, which has given £500,000 to the Wells.

But for £3m a company can claim the main theatre, in the same way that the Royal National Theatre boasts an Olivier, a Lyttelton and a Cottesloe. Not a large price for dramatic immortality.

★

It is a myth that companies only sponsor *safe*, middle brow, arts events. If anything they like a challenge: it makes them seem up-to-date and progressive. *This is certainly true of* BMW Financial Services Group which has got into bed with the Serpentine Gallery, one of London's most adventurous galleries. It is currently backing the very *avant-garde Louise Bourgeois* show – the 87 year old American sculptress goes in for giant spiders and displays of old clothes.

★

Good news for potential sponsors: *there is still* money in the Pairing Scheme, the government financed fund run by the Association for Business Sponsorship of the Arts which tops up grants by first time arts sponsors and has handed over £130m to 5000 arts groups in 18 years. Another £600,000 remains to be distributed before March.

From next April ABSA will run the scheme under the Arts Council rather than the culture department. ABSA's director Colin Tweedy is hopeful that the council will allocate more than the current £5.05m a year, and that it will become more flexible.

**Antony Thorncroft**

INTERNATIONAL

# Arts Guide

## AMSTERDAM

**OPERA**
**Netherlands Opera, Het Muziektheater**
*Tel: 31-20-551 8911*
The Queen of Spades: by Tchaikovsky. Conducted by Semyon Bychkov *in a new* staging by Lev Dodin. An international co-production that will travel to Florence and Rome; Dec 6, 8,

## BARCELONA

**EXHIBITION**
**Museu Picasso**
*Tel: 34-3-319 6310*
Picasso - Engravings 1900-1942: temporary exhibition with more than 250 works from the Musée Picasso in Paris. It presents *Picasso's engravings* as a diary, a daily examination of his emotions: it follows the different themes and techniques that inform the artist's work; from Dec 4 to Apr 4

## BRUGES

**EXHIBITION**
**Musée Memling**
*Tel: 32-50-44 6644*
From Memling to Pourbus: *exhibition illustrating Bruges'* importance as an artistic centre in the 16th century. *Covering the* period between Hans Memling (c.1430/40-94) and Pieter Pourbus (1523-84), it contains paintings, drawings, sculptures, *tapestries and manuscripts*; to Dec 6

## CHICAGO

**EXHIBITION**
**Art Institute Of Chicago**
*Tel: 1-312-443 3600*
*www.artic.edu*
Art and *Archaeology of Ancient* West Mexico: more than 200 works, *including terracotta figures* found in tombs, and findings of recent excavations. *Many of these objects have* never before been publicly exhibited; to Dec 6

## COLOGNE

**OPERA**
**Oper der Stadt**
*Tel: (221) 221 8400*
Die Vögel: first modern staging *for Walter Braunfels's opera.* Premiered in 1920, it was banned by the Nazis *and largely* forgotten until a recent recording. This production is conducted by Bruno Weill and staged by David Mouchtar-Samorai; Dec 6

## FRANKFURT

**EXHIBITION**
**Schirn Kunsthalle**
*Tel: 49-69-299 8820*
Treasures from King Zhao Mo: king Zhao Mo's tomb, sealed in 122 BC, was accidentally *discovered in 1983 by* construction workers. This *exhibition displays the many* treasures buried with Zhao Mo, the first time they have been seen in the west; from Dec 5 to Jan 22

**OPERA**
**Oper Frankfurt**
*Tel: 49-69-21237 999*
*www.frankfurt-business.de/oper*
● Die Zauberflöte: by Mozart. Conducted by Guido Johannes Rumstadt in a staging by Alfred Kirchner. With a cast including Britta Stallmeister and Kirsten Blanck; Dec 5, 7, 10
● *Rigoletto: by Verdi.* Conducted by Olaf Henzold and staged by Kurt Horres. With John Bröcheler and Elzbieta Szmytka; Dec 4, 6

## HELSINKI

**OPERA**
**Finnish National Opera**
*Tel: 358-9-403 021*
Anna Bolena: by Donizetti. *Conducted by Maurizio Barbacini* in a new staging by Jussi Tapola, with designs by Anna Kontek; Dec 4, 8, 10

## HONG KONG

**CONCERTS**
**Cultural Centre Concert Hall**
HK Philharmonic Orchestra: violin *soloist Dmitry Sitkovetsky features* in works by Weill, Mozart and Beethoven; *Dec 4, 5*

**DANCE**
**Sha Tin Town Hall**
Swan Lake: by Tchaikovsky. *Performed by the Kirov Ballet*; Dec 8, 9, 10

## LONDON

**CONCERTS**
**Barbican Hall**
*Tel: 44-171-638 8891*
London Symphony Orchestra: Sir Colin Davis conducts a series of works by Elgar; Dec 6, 9

**Royal Festival Hall**
*Tel: 44-171-960 4242*
● London Philharmonic Orchestra: playing a score composed and conducted by Carl Davis. It accompanies a *screening of The Thief of* Bagdad, the 1924 film starring Douglas Fairbanks; Dec 6
● Messiah: by Handel. Performed by the Mozart Festival Orchestra and Chorus in 18th century costume and a candlelit-style setting. *Ian Watson* is the conductor; Dec 5

**OPERA**
**English National Opera, London Coliseum**
*Tel: 44-171-632 8300*
Boris Godunov: by Mussorgsky. Conducted by Noel Daviesin a new staging by Francesca *Zambello, with sets by Hildegard* Bechtler. Gidon Saks sings the title role; Dec 4, 8

**THEATRE**
**National Theatre**
*Tel: 44-171-928 2252*
Betrayal: by Harold Pinter. Trevor Nunn directs Pinter's 1978 play, with a cast including Anthony Calf and Imogen Stubbs; Lyttleton Theatre; Dec 4, 5, 7, 8, 9

## NEW YORK

**CONCERTS**
**Avery Fisher Hall, Lincoln Center**
*Tel: 1-212-875 5030*
*www.lincolncenter.org*
New York Philharmonic: conducted by Kurt Masur in works by R. Strauss. With soprano Deborah Voight and *horn soloist Philip Myers*; Dec 4, 5, 8

**OPERA**
**Metropolitan Opera, Lincoln Center**
*Tel: 1-212-362 6000*
*www.metopera.org*
● La Traviata: by Verdi. Production by Franco Zeffirelli with a cast including Patricia Racette and Marcelo Alvarez. *James Levine is the conductor*; Dec 4
● Le Nozze de Figaro: by Mozart. Production by Jonathan Miller, with a cast including *Felicity Lott and Barbara Bonney.* James Levine is the conductor; Dec 5

## PARIS

**CONCERTS**
**Salle Pleyel**
*Tel: 33-1-4561 6589*
Orchestre de Paris: conducted *by Wolfgang Sawallisch in works* by Beethoven. With soprano Susan Anthony, mezzo-soprano Marjana Lipovsek and tenor Wolfgang Bünten; Dec 9, 10

**OPERA**
**Opéra National de Paris, Opéra Bastille**
*Tel: 33-1-4473 1300*
*www.opera-de-paris.fr*
The Merry Widow: by Franz Lehár. Conducted by Armin Jordan and with a cast including Frederica von Stade and Hakan Hagegard; Dec 4, 6, 10

**Théâtre des Champs Elysées**
*Tel: 33-1-4952 5050*
The Magic Flute: by Mozart. *Jean-Claude Malgoire conducts* and the staging is by Pierre Constant. With La Grande Ecurie et la Chambre du Roy and the Maîtrise du Centre de Musique Baroque de Versailles; Dec 5, 7, 9

## ROME

**CONCERTS**
**Accademia Nazionale di Santa Cecilia**
*Tel: 39-6-6880 1044*
Orchestra and Choir of the Accademia Nazionale di Santa Cec: conducted by Myung-Whun *Chung in works by Mozart and* Mendelssohn. With piano soloist Murray Perahia; Dec 6, 7, 8

## TOKYO

**CONCERT**
**Orchard Hall, Bunkamura**
*Tel: 81-3-3477 9999*
Silent Cities: the Tokyo *Philharmonic Symphony* Orchestra gives the world première of Mark-Anthony Turnage's composition. This marks the end of a year-long festival of British contemporary music; Dec 5

## WASHINGTON

**EXHIBITION**
***National Gallery of Art***
*Tel: 1-202-737 4215*
www.nga.gov
Edo: Art in Japan 1615-1868. Consisting of almost 300 works, this exhibition provides a comprehensive survey of *Japanese art produced during* the prosperous and peaceful Edo period. *Many of the pieces have* not left Japan before; to Feb 15

## ■ TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe *can be received in* western Europe on medium wave 648 kHZ (463m)

**EUROPEAN CABLE AND SATELLITE BUSINESS TV**

● **CNN International**
Monday to Friday, GMT:

**06.30:** *Moneyline with Lou Dobbs*
**13.30:** *Business Asia*
**19.30:** *World Business Today*
**22.00:** *World Business Today Update*

● **Business/Market Reports:** 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports *live from LIFFE as the* London market opens.

PHILIP STEPHENS

# Own goals

**Tony Blair must capitalise on Tory disarray to seize a once-in-a-lifetime chance to take Britain out of its anti-European laager**

Politics is replete with delicious irony. Tony Blair's European strategy has been rescued this week by William Hague's Europhobic Conservatives. The integrationist musings of its continental neighbours had left Mr Blair's government fumbling and stumbling. Then the hapless Mr Hague intervened to show us how easy it is to lead an opposition party from defeat to oblivion.

We will return to the Conservatives a little later. Suffice it to say here that Mr Hague is unlikely to last a year. All the same, Mr Blair would do well to eschew complacency. Europe will not go away. It never does. In recalling that reality, Oskar Lafontaine, Germany's loquacious new finance minister, has done the British prime minister a service. Mr Blair would be wise to extract a few simple truths from the fracas.

The most important of these is the most obvious. If Mr Blair wants to make the case for joining the euro, he must first make that for the nation's participation in Europe. In more than a quarter of a century of membership, it is a case that has never been made with constancy or conviction.

Edward Heath, of course, tried when he took Britain into the then Common Market back in 1973. But he was gone from 10 Downing Street before the ink had dried on the treaty of accession. On a good day Harold Wilson, his successor, was sceptically equivocal. Margaret Thatcher was, well, you know, Margaret Thatcher. And John Major first hugged and then hated his European counterparts.

The consequence has been to embed "them and us" in the British psyche. The choice lies between being a passive or a defiant victim of decisions made in Brussels. Europe is a zero-sum game of winners and losers. And somehow Britain always ends up on the losing side.

It would be nice to say that such attitudes are confined to the little Englander wing of the Tory party (which these days is most of it) or to a predominantly xenophobic press. Yet the perception of Europe as an unwanted contest (at best, a tiresome chore) rather than a collaboration, reaches beyond even the hallowed portals of government.

It explains why ministers – Gordon Brown, the chancellor, is the latest – so readily grab for the language of the veto. Implicit in these threats (almost invariably futile as Mrs Thatcher discovered to her cost) is the view that Europe exists to do Britain down. Of course, national and European interests do not always coincide. That's why decisions are taken by national governments in the council of ministers.

Mr Blair lately reminded his own ministers and mandarins that they should be building alliances in Paris and Bonn, Rome and Stockholm. I am told this prime ministerial missive is being greeted with groans all round. Not so long ago I asked one senior mandarin when he had last visited Brussels. Silence.

The case for engagement is as it has ever been. On the political front, it recognises that Britain's influence and security cannot escape the choices made by its nearest neighbours (and countless European wars bear testament to this). Better to play a part in shaping events than to wait for others to decide the nation's destiny. As in politics, so in economics. It does not take genius to recognise that the prosperity of a nation so dependent on trade cannot divorce itself from the economic arrangements of its most important markets.

All this, you might observe, is pretty obvious stuff. Mr Blair would add that he has said it himself before and since entering 10 Downing Street. And indeed he has – once or twice. The point is that it needs saying over and again. And then again. Mr Blair knows better than most that a political message is as strong as the frequency of its repetition.

Only when the case has been made for engagement can Mr Blair win the argument for the pooling of sovereignty. It has been the style of British governments to pretend there was nothing to the deals they struck in Brussels. Thus Mrs Thatcher signed the Single European Act, the biggest leap towards integration since the Treaty of Rome, but ever denied its momentous consequences.

That strategy, always dishonest, has run out of road. For all the paranoia stirred by Mr Lafontaine's remarks on tax harmonisation, the coming of the euro will speed the pace of economic integration. Standardised taxes are a pipedream. An agreed framework of rules for national tax authorities is not. A single currency and one-size-fits-all monetary policy does imply a much greater degree of economic interdependence than anything Europe has seen hitherto. There are pluses and minuses in that calculation. What will be required of Mr Blair when he seeks to join the euro is an explanation of these pros and cons – and a more than half-honest assessment of why participation would best serve Britain's interest.

Owning up to European integration implies something else – an admission that the day of the 19th century nation state has passed. That's harder for Britain than for most other countries, not least because it still likes to think of itself as a great power. But authority in modern societies is being driven in two directions – upwards to supranational institutions and downwards to regions and cities. The once impregnable nation state serves increasingly as a buffer between the two.

Mr Blair has recognised this in devolving power from Westminster to parliaments in Scotland, Wales and Northern Ireland and announcing plans for big-city mayors. He has yet to own up to the other side of the coin. And I have heard some around the prime minister say it is simply impossible to do so. Britain has for too long been indoctrinated otherwise. The chauvinism of the press would not stand for it.

I think this is to underestimate people's intelligence. For all the genuine irritation at what sometimes seem like diktats from Brussels, the most striking thing about popular attitudes is how sensible they are when set against the ravings of the Europhobes. We have only to look at the dismal showing of James Goldsmith's Referendum Party in last year's general election. Or to consider how poorly the Conservatives were served by the phobia of their election campaign. The British may never love Europe, but they know better than their politicians that they cannot escape its consequences.

That returns us, appropriately enough, to Mr Hague. Until quite recently, the Conservative leader has defined himself only by his opposition to the single currency. True, he had also begun to emerge as a defender of Chile's General Pinochet. Now though he set himself up as undisputed champion of inherited privilege in the House of Lords – against, and this is where it gets really bizarre, the judgment of his own hereditary peers.

It hardly matters how Mr Hague got himself into such an appalling mess. Perhaps his party will now come to its senses and replace him with Kenneth Clarke. A Europhile he may be, but Mr Clarke knows something of politics. What counts now, though, is that Mr Blair has a once-in-a-generation chance to lead Britain out of the *laager* of anti-Europeanism.

# The lucky country

**Gwen Robinson** charts the astonishing performance of the Australian economy in the midst of Asia's economic crisis

It is an Asia-Pacific country, which is bad enough these days. It is a big raw materials producer at a time when commodity prices have slumped. Yet it has just produced one of the healthiest economic growth figures of any industrialised nation, with gross domestic product up 5 per cent in the year to September.

The country? Australia.

Confounding doom-mongers who predicted the country would be dragged into recession along with the rest of Asia, Australia's surprisingly robust growth was buttressed by data published this week showing surging retail sales, healthy business investment, and prices under control.

Paul Krugman, the American economist, in a recent visit to Australia, was moved to describe this performance as "nearly miraculous". Salomon Smith Barney, the US investment bank, last month named Australia as one of the "hottest places in the world" for equity investors.

The Liberal-National coalition government agrees. "We were considered a little optimistic back at the beginning of the year," says Peter Costello, the treasurer (finance minister). "Most people now say we were right... It's been a terrible, terrible financial crisis. It hasn't helped Australia in the slightest, but we can say that one year into the storm of international financial volatility, the Australian economy has performed extraordinarily well."

This, remember, is the same economy that, in the early 1980s, was mired in high inflation, rising unemployment and arcane labour practices. It is also an economy that, only last year, was seeing its currency under attack from the markets because of its exposure to Asia. The region is the largest market for Australia's commodity exports, while Asian visitors are the mainstay of a tourist industry that is the country's biggest source of foreign exchange.

So how did Australia do it? The economy's surprising resilience has some equally surprising explanations. Despite low commodity prices and the collapse of demand in Asia, Australian exporters have moved speedily to steer exports from Asia towards the US and Europe. "They kept Australia's exports up in the face of this onslaught and they have been a very big part of Australia's good economic performance over the last 12 months," Mr Costello says.

A floating exchange rate has also helped. The Australian dollar has depreciated against the US dollar by 20 per cent this year. This has kept exports competitive abroad, and has helped preserve the local currency incomes of farmers and miners by offsetting the decline in the international value of commodities, which are priced in dollars.

A third factor is that – in contrast with other Asian countries – Australia has open markets and transparent financial systems, rather than crony capitalism. In particular, it has benefited from sweeping supply-side reforms that began in the 1980s with Labour governments.

Australia's wage-price spiral, which fed inflation in that decade, was ended with reforms to the country's arcane industrial relations, breaking the power to the country's once-mighty unions. Trade barriers were reduced, exchange controls were abolished and financial reforms were set in train. The current conservative government has brought budget deficits to heel, and is streamlining the tax system.

As a result, Australia had better defences than emerging markets against the shockwaves of Asia's financial turmoil.

Amid all this backslapping, the role of the Reserve Bank of Australia has been vital. It has had a mixture of good luck and good judgment.

The central bank began easing interest rates from mid-1996 and in five successive cuts, taking the base rate from 7.5 to 5 per cent. The Reserve Bank was not aware of the looming Asia crisis; its cuts were motivated by expectations of slowing domestic economic growth.

"The Reserve Bank had stopped easing at the very point the Thai baht collapsed, and it left domestic demand very, very strong in housing, retail and business investment, all kicking in just as Asian turmoil broke," says John Edwards, chief economist of HSBC Markets.

"It was pure luck," says Bill Evans, an economist at Westpac Banking Corp.

On the other hand, while countries such as New Zealand, Canada, South Africa and Norway moved to tighten monetary policy in the face of speculative attacks against their currencies, the cental bank did not raise interest rates, even as traders drove the Australian dollar to record lows. By June, the dollar had fallen nearly 40 per cent from its 1996 highs. "Australia accepted it, whereas other countries fought depreciation. That was the deliberate element," Mr Edwards says.

But while Australia may look like an island of economic health in a stricken region, there are still concerns about the year ahead. The central bank cut interest rates by a quarter point on Thursday, acknowledging the inevitability of economic slowdown in 1999.

A more immediate preoccupation is the widening current account deficit, which may reach A$31bn, or nearly 6 per cent of gross domestic product, this year. The booming economy has generated a huge demand for imports – more than offsetting export growth.

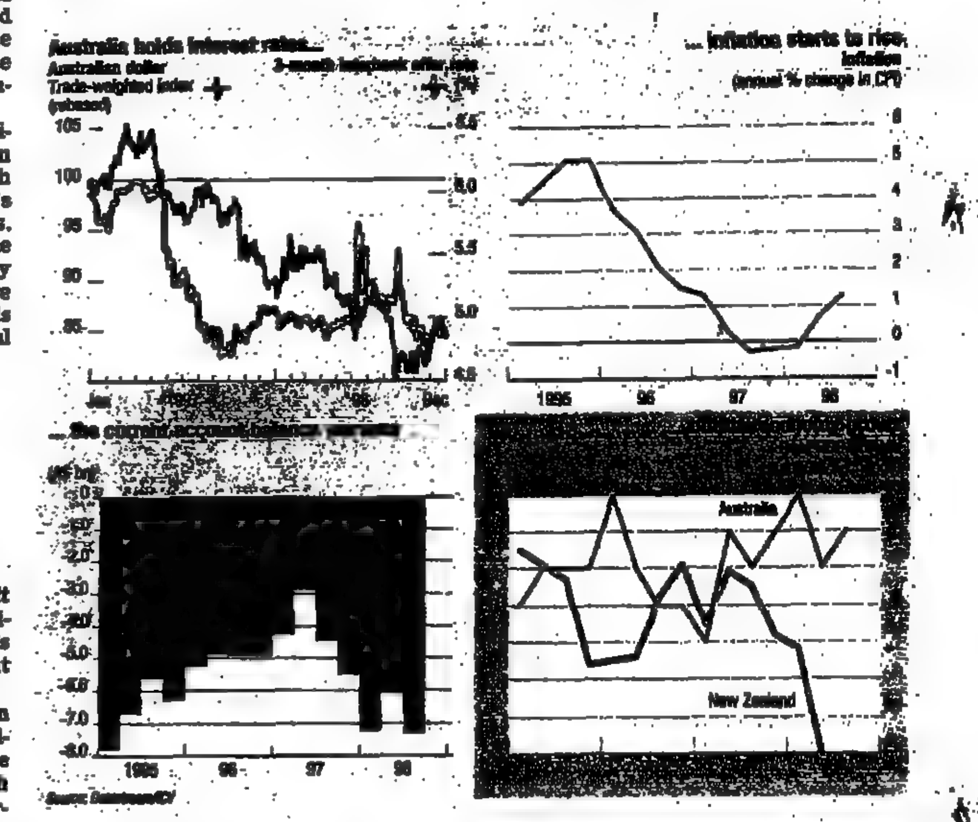
"It is the fourth dramatic increase in the deficit in the last 12 years, and it's remarkable that each time, both policy authorities and Australian business have become more accustomed to living with high cyclical current account deficits," Mr Edwards says.

Most economists expect the country's external account to correct itself with lower growth, a fall in imports, and a hoped-for recovery in commodities prices next year.

Australia's savings rate is about 18 per cent of GDP, higher than the UK and US. But with investment running at about 21 per cent of GDP, the difference between the country's savings and investment rate must be financed by external capital. With low interest rates, the government believes the savings gap should not be a policy problem – as long as growth slows as expected next year and Asian economies and commodities prices pick up.

The big hope, though, is that international investors will eventually want to get back into Asia and Australia, as the strongest economy in the region, could be the first to benefit.

Much, however, will depend on Japan's ability to pull itself out of recession. "There's no doubt we've done very very well, but we see a lot more downward pressure on commodity prices, and Japan – which takes the bulk of our exports – could be critical to our future," Mr Evans says.



# How bad was made worse

Australia's strong performance has come as a embarrassment to New Zealand, a country traditionally held up as a paragon of economic policy virtue. New Zealand was a pioneer of central bank independence and accountability. This, say the textbooks, should have enabled it to stand up to the Asian onslaught better than its bigger neighbour.

Yet, New Zealand shares the dubious distinction with Japan of being the only country in the Organisation for Economic Co-operation and Development to sink into outright recession.

An economic contraction of 1 per cent in the first quarter was followed by one of 0.8 per cent in the three months to June. The difference with Australia is all the more striking considering that both countries are commodity exporters. (Meat and dairy accounted for 30 per cent of New Zealand's export earnings in 1996.)

The problem has arisen, it seems, from monetary policy flaws by New Zealand's much-vaunted independent central bank.

Between July 1997 when Thailand devalued and mid-June this year, the Reserve Bank increased three-month interest rates by three percentage points to 9.9 per cent, while the currency fell 18 per cent on a trade-weighted basis.

For the bank such a response was natural. To reduce potentially damaging discretionary tinkering with monetary policy, it uses a "monetary conditions index" as a yardstick for policy: this dictates that rates should go up when the exchange rate declines. In Australia, where discretion plays a bigger part in monetary policy, the bank held interest rates steady as the currency fell.

The trouble was, says Ulf Schoefisch, New Zealand economist of Deutsche Bank, the Reserve Bank failed to realise that years of tight money, had left the economy "fragile". Exporters, had been particularly squeezed.

According to Alex Sundakov of Wellington's Institute of Economic Research, the Reserve Bank should also have looked at other indicators, such as the negative yield curve (with short-term rates higher than long ones), which showed monetary policy was already restrictive.

Supporters of the bank argue that New Zealand is more open to trade than Australia and therefore more vulnerable to the Asian crisis. It could not have foreseen the full extent of that crisis nor of a drought that compounded New Zealand's problems. Growing private sector credit was fuelling concern about a housing bubble. Also, the inflation rate remained consistently above the midpoint of its target range of 0 to 3 per cent. Australian economists say their central bank was right to accommodate the fall in the exchange rate since it was caused by a genuine external shock. One lesson from New Zealand's experience is that monetary policy should distinguish between currency movements prompted by real shocks and movements reflecting shifting perceptions of portfolio investors.

The other lesson, which is admitted by some New Zealand officials, is that the Reserve Bank's rigorous approach can cause particularly violent swings in the export sector. It is hard to find a way round that, they say, except through aggressive use of fiscal policy.

But that is a matter for the politicians. As for the Reserve Bank, it has discovered that the price of independence is to be held responsible.

**Peter Montagnon**

# LETTERS TO THE EDITOR

## Reports of the death of banking are exaggerated

*From Mr Edward Cade.*

Sir, Peter Martin's prophecy of the death of banking ("A Long Goodbye", November 24) exhibits the over-simplifications typical of the genre. Unfortunately, some bankers may swallow the hype and believe themselves compelled to take the ever greater risks he foreshadows, in order to stay alive.

It is an exaggeration to say that banks have had "maturity transformation" as their single role. Loans, whether long or short term, need to be recovered in full and on time if deposits are to be repaid. Mr Martin facilitates his conclusions by ignoring the double-entry bookkeeping system as applied to the granting of credit. It is hard to assign any rational meaning to his proposition that "individuals'" needs for long-term assets are now matched by their purchase of equities. Those equities are themselves assets: if they are to "match" anything it would have to be a liability, such as an external obligation or the "capital" appearing on the individual's balance sheet. Neither is it helpful to explain that consumer durables are financed by loans of comparable life, without considering where those loans come from and how they are funded by the finance or credit card company.

To prove his case that banking is moribund, Mr Martin needs to show that credit will cease to exist, or will not ultimately be funded by current liabilities or deposits gathered or raised. Or else that obligors will never default on their credit obligations and therefore lenders/investors/counterparties will face no liquidity or solvency risks. Granted all that, there may indeed be no need of banking risk capital, or of regulation in the public interest, in whatever succeeds today's banking system. The more we continue in this vein, however, the clearer it becomes that we are speaking of Cloud-Cuckoo Land. Disintermediation, securitisation and other innovations that Mr Martin cites cannot magic away the prudential considerations attendant on "banking" in whatever form. The practice of maturity transformation is merely one of the elements to be taken into account.

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## War between state and society plagues Russia

*From Mr Stephen Holmes.*

Sir, John Thornhill ("How to Save Russia," November 30) is right to conclude that the International Monetary Fund is incapable of controlling the implementation of the Russian budget. But he is less persuasive when he suggests that chronic tax evasion is a technical problem that can be solved by passing a better tax code, introducing higher salaries for tax collectors, and computerising the tax service. As Mr Thornhill's own analysis implies, Russian tax evasion has very deep roots. It reflects nothing less than a war between state and society.

This is not a technical problem and is not susceptible to a technical fix. How can a new tax code undo the Russian social contract, best described as an exchange of unaccountable power for untaxable wealth? This, has been a contract among "elites," a sleazy deal between political and economic insiders, who together have engaged in mutually beneficial unpunishable misdeeds. The rest of society, the great mass of citizens, has been excluded from the contract, left – in extreme cases – to die in a Darwinian struggle for survival.

Primakov's greatest achievement since becoming prime minister has been to forge a consensus on inaction. Since paralysis is not a long-term strategy, however, everyone is asking what will come next. The Russian government's most urgent task today is to decriminalise the economy and stimulate the development of organised rule-of-law constituencies, presumably businessmen who can accumulate wealth without force or fraud. But how can the IMF help the country move in this direction – which is what Mr Thornhill understandably wants – if those in power show no appetite for such a task and if the Russian government could find no honest businessmen to support it if it tried?

**Stephen Holmes,**
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## Harmonisation of the rules for calculating tax poses a threat

*From Mr Richard Baron.*

Sir, Edward Troup's personal view on European tax harmonisation ("Join the Club", December 1) distinguishes between harmonising the rules for working out tax and harmonising the actual rates of tax. The former looks a lot less menacing. But there are two reasons why it would be most unwise to commit ourselves to a harmonisation of rules.

First, any tax system needs to evolve to keep up with commercial developments. If the rules of member states had to keep in step, it would take forever to get changes agreed. The tax system would fossilise.

Second, the boundary between rules and rates can be crossed. Take the proposed withholding tax on interest. We must stop this or wreck the Eurobond market. So could we agree to the rules and set a rate of zero? I doubt it. If we agreed to the rules, we would be expected to set a rate that made those rules have at least some impact.

**Richard Baron,**
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## Only high taxes are harmful taxes

*From Mr Bryan Cassidy.*

Sir, You state that the concept of "harmful tax competition" is being promoted by finance ministers in some EU countries, notably France and Germany. (European Tax, November 26). The idea also appeals to some MEPs – and not only on the leftwing! It needs to be nipped in the bud pretty smartly.

There is no such thing as "harmful" tax competition. If the EU believes in competition in goods and services, why not in tax? The only "harmful" taxes are those which are cripplingly high – like those in France and Germany.

Fortunately, proposals such as a 20 per cent withholding tax are brought forward under Article 100 of the Treaty which requires unanimity and therefore gives the power of veto to finance ministers from countries like the United Kingdom and Luxembourg.

I trust they will not shrink from using it.

**Bryan Cassidy,**
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**Bournemouth, BH9 1HR, UK**

## Electricity nationalisation

*From Mr Ian Rutledge.*

Sir, As a supporter of the public ownership of utilities, I was delighted that London Electricity is to be renationalised ("EdF victorious", December 1). It seems a pity it had to be by the French.

**Ian Rutledge,**
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## Bankers Trust shareholders should take the cash option

*From Mr Nigel Quinnen.*

Sir, Here in Gloucestershire we may not be at the cutting edge of financial innovation but I was somewhat surprised to read of the new form of money devised by "Bankers in Frankfurt". ("Deutsche Bank needs DM6bn for US buy", November 25). They apparently expect "Deutsche to pay for Bankers Trust by means of a mixture of cash and accounting adjustments". Now this may well be a covert reference to the euro but if I were a Bankers Trust shareholder I would take the cash option.

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COMMENT & ANALYSIS

# FINANCIAL TIMES

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Friday December 4 1998

## Europe's surprise rate cut

Yesterday's euro-zone interest rate cuts were both surprising and welcome. As well as playing a part in the global monetary policy easing process, albeit very belatedly, Europe's central bankers have improved the prospects for a smooth launch of monetary union.

The domestic economic case for a rate cut had become compelling. Inflationary pressures in the euro-zone are all but absent, with an average inflation rate in the region of just 1 per cent. But, for all the reassurances about Europe being a "pole of stability", the euro-zone has been hit by the slowdown in global growth. Business confidence is sagging, industrial production figures are worsening and trade has become a serious drag on growth. The latest official 1999 growth forecast for the euro-zone is 2.5 per cent; many analysts believe the outcome could be lower still.

The rate cut will help to prop up growth, but is very unlikely to have any serious inflationary consequences. It lessens the probability of a damaging period of euro appreciation after the launch of economic and monetary union which, apart from the effect on European growth, could have been destabilising for the global economy. And by setting an interest rate which will be expected to hold for some time, a potential source of uncertainty will be removed from the early months of Emu.

Yesterday's decision, of course, came not a moment too soon both for Europe's centre-left governments, and for the rest of the world. There have been mounting calls for lower interest rates from European politicians, particularly from Oskar Lafontaine, the German finance minister. But with the European Central Bank, and its member national central banks, intent on proving their political independence, the rate cut happened despite the pressure, not because of it.

In a global context, Europe can be seen, at long last, to have joined the US and other major countries in cutting interest rates in response to the world economic slowdown. Although the worst of the financial turmoil seems now to have passed, in great part thanks to the US Federal Reserve's actions, the European rate cut is a reminder that the real economic effects of the emerging market crisis will continue for some time. And in a world of slow growth and low inflation, further monetary easing is still on the agenda. The Bank of England's Monetary Policy Committee, when it meets next week, will be under heavy pressure to cut rates further.

This European rate cut will make the ECB's job easier over the coming months. It is to be hoped that it also sets a precedent for bolder decision making in the ECB than has been seen in the euro-zone so far this year.

## Zeal to impeach

It was supposed to be short, if not sweet. US voters had made clear in the mid-term elections that they wanted a quick resolution of the impeachment inquiry. President Clinton's sins, they signalled, were venial rather than mortal. The Republicans in the House of Representatives had heard the message, and were expected to settle for brief, narrow hearings.

That was too much to hope for. The judiciary committee – more precisely, the Republican majority on the judiciary committee – has issued a spate of subpoenas. The inquiry has been broadened to include campaign finance. This change of direction reflects serious misjudgments – by the committee and by Mr Clinton himself.

For some Republican representatives, the satisfaction of injuring the president more than outweighs the prospect of electoral damage. For them, the inspiration is a line in the biography that the House voted to impeach Mr Clinton and the faint hope that more scandal will be uncovered along the way.

Above all, they appear to have decided that they must leave bruises on Mr Clinton.

Without such a move, the president seemed to be on the verge of a relatively painless censure. That would leave him a final two years in office, during which he could concentrate on pushing through a few pet projects and polishing the presidential legacy.

That he expected such a result was clear from his curt, hair-splitting answers to the 81 questions, many of them vexatious, posed to him by the committee. As before, during this crisis the president's clear contempt for the procedural mess in which he landed himself has complicated his task.

This display of presidential arrogance must have tipped the scales for his most ardent Republican enemies. Hence the change of course.

Thankfully, Republicans who do not want to be members of a kamikaze Congress have intervened and put pressure on their leaders to bring the inquiry to a quick close. They appear to outnumber those colleagues who wish to damage Mr Clinton at any cost.

And they are right. The judiciary committee should aim to complete its investigation by the end of next week, allowing the House to vote this month on impeachment. If not, the committee will be operating at a political altitude where the air is thin and the logic even thinner.

But Mr Clinton needs to be a little smarter. He must continue to emphasise remorse for his deceit, enabling his opponents to back away with a certain amount of dignity. If the president values having a clear period in which to pursue his policies, then he must first throw off his pursuers.

## Saudi borrowing

The news that Saudi Arabia, the world's oil superpower, is negotiating a loan of about $5bn from the tiny Gulf emirate of Abu Dhabi to help finance its exploding budget deficit, in some respects merely reflects the collapse in oil prices. In real terms, these are back to where they were before the 1973 shock.

In a more important sense, however, it illustrates the inability of Gulf rulers to come to terms with anything other than times of plenty.

The Saudis have been running heavy budget deficits since 1983 – in other words from before the last big oil price collapse in 1986. They have since then attempted to cut spending, raise charges on virtually free services such as water, power and telephones, and heavily subsidised commodities ranging from petrol to wheat. The kingdom's absolute rulers have also tried to diversify the economy and widen its revenue base – up to a point.

Current price softness is admittedly extreme, and will probably triple the Saudi budget deficit from a forecast $5bn to about $15bn, or roughly 10 per cent of GDP: every $1 fall in the oil price costs the kingdom $2.5bn.

But because the Saudis are sitting on one quarter of the world's proven oil reserves – rising to nearly half if Riyadh's five partners in the Gulf Co-operation Council are included – they have usually found it hard to distinguish between a temporary cash-flow problem, resolvable through tinkering at the margins, and structural profligacy.

The classic Gulf model is to employ the great bulk of the indigenous population in often meaningless government jobs, give them free or subsidised housing, health care, education, utilities and travel, and levy no taxes. The mere notion of taxation, in a system which allows of no representation, is regarded as taboo.

In return, the subjects of these absolute monarchies are not expected to mind that they have no say in governance, that a tiny elite keeps wealth abroad equivalent to three or four times the region's output, or that their governors spend tens of billions of dollars on dubious arms purchases which add to this private wealth through commissions.

There is a perennial, and rather circular debate in the Arab world about whether its oil riches have been a curse or a blessing. A more fruitful debate might now be about governance and economic management.

Until that takes place, the Gulf states are not going to be distinguishable from other developing countries – except that they will have a highly educated people denied any share in government. And that is not a recipe for stability.

FT Interview Gerhard Schröder

# The gritty chancellor

Germany's new leader tells **Ralph Atkins** and **Peter Norman** that blunt honesty is the best policy

Gerhard Schröder's baptism has been by fire. His first month as Germany's chancellor has been scarred by industrialists' wrath over plans to redistribute taxes and close corporate tax loopholes. His Social Democratic/Green coalition has been ill disciplined, critical of many of his ideas, and divided over planned higher "ecological" charges.

And in particular, as if to fan the flames, Oskar Lafontaine, the fiery chairman of his Social Democratic party, has set up an alternative powerbase in an expanded finance ministry – a vantage point from which he has taken pot-shots at Europe's central bankers and upset other countries with his ideas on harmonising European taxes and controlling exchange rates worldwide. With less than four weeks until Germany takes the presidency of the European Union, people across the continent have been wondering what is going on at the top of Germany's new government.

Interviewed in his office at the Bonn chancellery, Mr Schröder is charming and self-effacing. "Our problem was that we took on too much at the beginning," he admits. "We underestimated the difficulties that spring up when you take control over a government apparatus of this size." But talk of a rift with Mr Lafontaine, he insists, is all got up by the media. "The relationship between myself and Oskar Lafontaine – whether personally or professionally – is intact."

Behind the cool persona, there is gritty determination. Mr Schröder's father was killed three days after Gerhard was born on April 7 1944. The young boy left school at 14 because there was no money for books or travel. But he went to night school, passed the German *Abitur* (school-leaving certificate) and spent five years studying law at Göttingen university.

The agility of his legal mind is always apparent. Despite pressing domestic problems, his attention is on the EU presidency. Mr Schröder wants a new German "style" in Europe. "There has to be," he says, "because the old system of solving European problems with German money doesn't exist any more." Germany has been hit by the massive costs of reunification. It now wants a significant reduction in its DM22bn ($7.8bn) EU net contribution.

It is a pragmatism that contrasts with the sometimes grandiose visions of his predecessor, Helmut Kohl, and which could result in an new phenomenon: a Germany at odds with its main European partners.

"I don't want [our position] to be misunderstood as a lack of European enthusiasm. I have always said that, having scaled the strategic peaks, we have to concern ourselves with toiling in the plains of European integration. That has to do with material circumstances.

"We have to ask, what does it cost and how can it be financed? That is no retreat from integration. I see it more as an injection of realism.

"It would be fine by me," Mr Schröder continues, "if our goal was so easy to reach... But I fear that will not be the case. We must therefore defend Germany's interests in Europe with as much determination as others defend theirs."

One way of reducing Germany's net burden, he argues, would be for EU national governments to make a larger contribution towards subsidising their farming sectors – a proposal which has met stiff resistance from the French government.

At least as controversial is the idea of rethinking the UK's rebate won by Lady Thatcher in the 1980s. "I can imagine that will not be greeted with great enthusiasm among my friends in Britain but it is a point that must be made." Alternatively, Germany's net contribution could be cut by increasing the amount of funds that flow back into the country. "I don't necessarily mean through subsidies. The money could come for research and development policy."

Germany's EU contributions are being reviewed as part of the so-called "Agenda 2000" reforms of EU finances and agricultural policy. Mr Schröder is looking for a deal by March. In June, there are European elections and without a deal, "it will be difficult to explain to people why they should vote for a European parliament".

The chancellor implicitly links Germany's financial demands to hopes that the EU's borders will expand early in the next century. Completing Agenda 2000, as well as reform of EU institutions, he says, are "objective preconditions" for enlargement.

His realistic approach, he argues, is more honest than "always stating the desirable". For example, unlike Mr Kohl, he has refused to set a timetable for Poland's membership of the EU (Mr Kohl suggested Poland would be ready by 2000). "You just create illusions and you damage the European idea if you name illusory target dates."

**'I don't want 100 days' grace but more than five would have been fair'**

But Mr Schröder is quick to douse any thoughts that Germany, with its rebate demands and more pragmatic approach, is becoming less enthusiastic about closer European union. The country, he says, will remain a "motor of integration". "We have a special political interest in the EU – and not just one that relates to the past but which concerns the future. I belong to those for whom Europe is a perfectly natural thing. By that, I mean a single Europe. That is something I want. I am a German but also a European."

Indeed, Mr Schröder happily backs calls this week from Mr Lafontaine for the EU to abandon unanimity between countries in decisions on taxation, as part of long-term institutional reform. "We know there are differences of opinion in Europe but that does not mean it is not sensible, in a single market with a single currency, to have better tax co-ordination." His support for Mr Lafontaine's proposal is unequivocal – even if it jeopardises Germany's relationship with the UK, which is strongly opposed to tax harmonisation and has threatened to block tax measures hostile to its national interests.

"We must think in a rather longer timescale and be prepared to wait for the partners to be prepared to go along with this... I don't hold with threats or vetoes. Veto always means 'I forbid' and has little to do with partnership."

Mr Schröder says he speaks "almost daily" with his finance minister and professes not to know what "all the fuss is about" over their relationship. "In the election, everyone said how fantastically it worked. You had two people coming together with the same goal, with different functions. This is still the situation. Oskar Lafontaine has accepted that I'm the chancellor and he's finance minister. The constitution determines that this office sets the direction of policy and nowhere else."

"This idea of a battling duo is archaic. For those who have difficulties filling newspapers, it is no doubt highly interesting to always have two opponents. But where is the conflict in reality?"

His assurances are not entirely convincing. Take wages policy. Mr Schröder says he refrains from commenting on industry negotiations. But he admits one of Mr Lafontaine's closest advisers – Heiner Flassbeck, state secretary in the finance ministry – has outlined specific guidelines on wage increases as part of a demand-orientated policy.

"It is not for the head of government – and also not for members of the government – to intervene in wage rounds. I have also said that to Mr Flassbeck – that it is not the job of a state secretary to philosophise publicly how big a percentage increase in wages would be sensible.

"But I will not stop anyone from pointing out that in economics there is not only a supply side. Strengthening domestic demand also plays a role. It is like this pre-judging of Lafontaine as a pure Keynesian thinker who thinks only in demand side categories. Every public comment of his has been about a policy mix – and that means a mix of supply side and demand side."

Difficulties on the domestic front, Mr Schröder argues, have resulted largely from disorder in SPD ranks. "The party and parliamentary group, after being used to opposition for 16 years, are now the government. Every comment of the more prominent members has a completely different weight from before... They have to think how the affect the appearances of the whole government."

Could he have prepared better – and made the sort of impact Tony Blair, UK prime minister, made in his early weeks in office? "I have a great respect for Mr Blair, but no reason to dress in sackcloth and ashes. A part of the criticism – about the speed that we have tried to do things – I take seriously. It is justified. I don't want 100 days' grace but more than five would have been fair."

There is a rugged determination to catch up. "We're a little more than three weeks in government... it is not that much."

On Monday, Mr Schröder launches his "alliance for jobs" bringing industry, trade unions and employers together to combine efforts in tackling unemployment.

He hopes in particular to win round industrialists, insisting reaction to his tax reforms was misplaced. Measures are planned to help small and medium-sized companies. Funds raised from increasing energy taxes will be used to cut social security costs, paid by employers as well as employees. "I had expected an outburst of approval," he says sardonically.

The interview draws to a close. Mr Schröder is due to meet senior coalition figures to thrash out plans for regular consultation to avoid future slips. Politics, Mr Schröder used to chuckle, should be fun. Has the fizz gone? "To a limited extent it is fun. But I still believe it is much much better to govern than to be in opposition."

# OBSERVER

### Micossi moves on

A quick blast and he's gone. On Tuesday, Stefano Micossi ruffled feathers by griping about the power wielded by European Union commissioners' *cabinets*. Now the Commission's director general for industry has handed in his cards.

His parting broadside at the *cabinet* system, which he claimed allowed unacceptable levels of political interference in the commission's administrative structure, drew support from many MEPs. It looks as though Micossi might try to join their ranks. In the short term the man who had a series of nasty run-ins with EU industry commissioner Martin Bangemann has decided to return to Rome to resume his teaching career. But he's also known to be considering standing for the European parliament on a centre-left ticket and returning to Brussels in a different guise.

If that doesn't work out, Micossi is likely to head off into industry. After 15 years at the Bank of Italy and a spell at the helm of the Italian employers' organisation, he shouldn't have much trouble finding an opening.

### Party pooper

Another setback for the Congress of the Democratic Forces of Kazakhstan. The outfit led by former prime minister Akezhan Kazhegeldin is trying its damnedest to participate in the country's supposedly democratic elections next month. But things just keep going wrong: delegates for yesterday's congress in Moscow, booked in at the swish city centre President Hotel, had to be re-routed at the last minute to the less salubrious Aerostar.

A simple administrative error on the part of the President Hotel's management? You have to wonder. Kazhegeldin has already found himself ruled ineligible to run against Kazakhstan's incumbent president Nazarbayev after being convicted of attending a meeting of an unregistered political party. Never mind that the meeting had been called to register the party in the first place.

### Athens adjustment

Times are changing for the Vardinoyannis brothers. Back in the 1980s the six siblings from Crete – founders of the eponymous oil to shipping conglomerate – had Greek ministers at their beck and call. But now their influence is waning.

For the last couple of years the private Vardinoyannis group has been selling assets. Not long ago Aramco of Saudi Arabia acquired half of its oil refinery near Athens and took management control; several downstream projects in eastern Europe have since failed to materialise. And efforts to raise fresh capital by floating the group on the Athens Stock Exchange fell through.

This week the Vardinoyannis brothers sold another jewel in the family crown: a 37 per cent stake in XiosBank, one of their most profitable subsidiaries. The buyer is Piraeus Bank, a small but aggressive outfit run by ex-civil servant Michalis Sallas, which will also take management control. All the more time for the brothers to look after their top-flight soccer team Panathinaikos and cruise the Aegean aboard their luxury yachts.

### Exhausted

More glad-rags than oily rags at Ducati these days. The Italian motorcycle maker has spent as much time honing its image as tuning its engines since American investor Texas Pacific moved in. Now the company, which plans a stock market listing in 1999, has joined forces with fashion mechanic Donna Karan.

Karan's DKNY label will design outfits for Ducati's world championship racers next year – all part of the Bologna-based company's drive to reclaim its status as the most glamorous brand in biking. Only two years ago Ducati was looking about as healthy as a cracked crankcase thanks to cashflow problems and a history of under-investment. Now business is booming and the blood-red two-wheelers are as popular in Hollywood as they always were with die-hard Ducatisti.

It is no surprise to hear that other organisations now want to bask in Ducati's reflected glow. Company executives say Milan football club Internazionale is considering a link-up. There's even a rumour that the club's Brazilian superstar Ronaldo – owner of arguably the most precious pair of legs on earth – wants to buy a ballistic Ducati bike. How's that for a wheely bad idea?

### Playpower

Now here's an unlikely pair. Swedish nuts and bolts outfit Scania, maker of seriously large trucks, has teamed up with none other than Lego, manufacturer of little plastic bricks for the under 10s. A joint roadshow hit the highway in Australia this week and will be touring Asia to promote the companies' wares.

Scania insists there's nothing silly about its hook-up with the Danish teeny toy merchant. Never mind the fact that they work on very different scales, it says, both companies are into modular design.

So look out for a convoy that "blends playful pedagogics with information about modular vehicle construction". And remember to concentrate very hard when it comes to buying Christmas presents for the kids.

Financial Times

### 50 years ago

**Bid For ABC Rejected**
*New York, Dec. 3.*
Negotiations with Twentieth-Century Fox Film Corporation for the sale of the American Broadcasting Company have been terminated. The film company's offer was not acceptable, Mr. Edward J. Noble, chairman of the broadcasting company board, said. It had been reported in trade circles that the film company had made an offer of $22 millions for the network.

**Protection Sought In China**
*Shanghai, Dec. 3.* British and other foreign business interests in Shanghai, considerably worried over the possibility of an extension of the Nationalist scorched-earth policy in North China, are, it is learned here, actively agitating for a reaffirmation by the interested Powers of their determination to stand by their interests in China and afford them adequate protection. There is general hope that some such statement will be forthcoming before the large British investments in the coal mining centre of Tongshan vanish overnight in fire and smoke as happened in Chinwangtao recently.

FINANCIAL TIMES

FRIDAY DECEMBER 4 1998

## THE LEX COLUMN

# Oskar's award

So have Oskar Lafontaine's bullying tactics paid off? The German finance minister certainly wanted European interest rates to come down, and now they have. But to assume that the one caused the other would be to commit the fallacy of *post hoc ergo propter hoc*. Fortunately, euroland's slowing economy provides good enough reason for the cut. So the notion that the European Central Bank has been neutered can be brushed aside.

It is also good that the central bankers have not taken Mr Lafontaine's interventions as a reason for digging their heels in. Euroland will be much better off if its central bankers and finance ministers can co-operate while respecting each other's autonomy.

The currency market's knee-jerk reaction – that lower European rates were good for the dollar and sterling – was sensibly reversed. At 3 per cent, European rates cannot fall much further. The same could be said of US rates: although they are 4¾ per cent, higher inflation means US monetary policy is roughly as expansionary as euroland's. However, the US has a large current account deficit, while euroland is in surplus. It is hard to see this being reversed without a stronger euro.

The UK, meanwhile, has the most scope to cut rates. To enjoy as low rates as euroland in real terms, the cost of borrowing would need to fall to 4½ per cent from 6¾ per cent. It would not be safe to go all that way now. But following yesterday's disappointing economic surveys, the chance of another cut this year has increased.

### Brazil

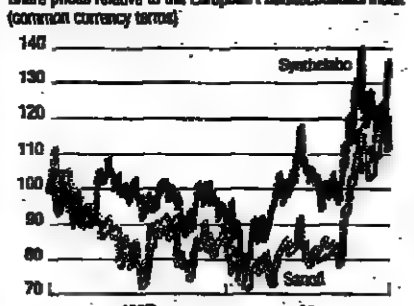
Brazil's path back to fiscal rectitude has hit its first serious roadblock. Granted, the rejection by Congress of a R$2.5bn ($2bn) tax increase on civil servant pensions is only a small chunk of the country's R$28bn austerity programme. The significance lies in the blow this failed vote has dealt investor confidence.

Until now the markets have been betting that, buttressed by the International Monetary Fund's $41bn package and a rapid reduction in its budget deficit, Brazil would squeak by. That has allowed a steady decline in interest rates – from 42 per cent to 34 per cent in three weeks – while foreign exchange reserves have stabilised at $40bn. If investors now feel that the government does not have the clout to implement austerity measures, capital flight will resume. That would force up interest rates, widen the deficit and force the Real into free fall. Such a nightmare scenario explains why Brazilian stocks and bonds took such a beating yesterday.

It need not have been so. The Cardoso government, backed by the US, insisted IMF money was used to shore up the currency. It would have been wiser to tackle Brazil's huge domestic debt load directly, allow a controlled devaluation and pull in private creditors. Instead, Brazil is stuck with trying to carry off its confidence trick – and perhaps it still can. Meanwhile, though, a sword of Damocles hangs over the rest of the world.

**Synthélabo/ Sanofi**

Share prices relative to the European Pharmaceuticals index (common currency terms)



Source: Datastream/ICV

### Sanofi/Synthélabo

The planned Sanofi-Synthélabo merger looks an acceptable marriage of convenience for Elf and L'Oréal. At a stroke, the smallish drug companies of which they were majority shareholders should be transformed into a respectable medium-sized player with three potential blockbusters among its quiver of products. If the management is to be believed, it will also generate FFr1.3bn extra annual post-tax profits in three years, with scarcely a single job loss. Arguably, a combination of two French companies should minimise the chance of culture clashes. Moreover, Elf is free to offload at least part of its holding, despite the planned shareholders' pact. However, for minority shareholders there is less to applaud. For a start, the shares are on roughly 36 times 2000 earnings, according to one analyst – about the same as Pfizer, which is rich for a pretty average company. This valuation incorporates optimistic projections for the undoubtedly promising new products coming through the Sanofi pipeline. But if these fall short of expectations, there is much scope for disappointment.

Moreover, the planned shareholders' pact appears to make a hostile bid impossible. So there is not even the prospect of the sort of speculative froth that has helped buoy Sanofi shares in recent years. Now looks a good time to take profits.

### General Electric Company

Lord Simpson says he has spent as much time on Eurostar as on Concorde lately. But it seems more attractive for General Electric Company of the UK to point its radar at the US than at France right now. Thomson-CSF would make a fair partner, but a French deal could spoil GEC's relations with the Pentagon. The US seems to have relaxed about GEC's tying up with a prime contractor such as Northrop Grumman, Lockheed Martin or Raytheon, rather than just a component supplier.

Only half of Northrop's operations are in defence electronics, though, and the size of the other candidates suggests that alliances are more likely than acquisitions. A joint venture would leave the question of what to do with GEC's £1.25bn cash. Share buy-backs, in-fill industrial acquisitions and stepped up investment in telecommunications could all bring down the cash pile.

Meanwhile, GEC's results continue to look strong. Without the drag of Alstom, its former engineering joint venture, like for like interim profits were 16 per cent ahead. Telecoms, which could soon be one of the few businesses over which GEC has full control, lifted profits by 15 per cent despite the stronger pound. However, GEC's rating will be more affected by the next defence deal than by ongoing trading. If it can become the first sizeable transatlantic defence electronics group, the shares will have more than just defensive appeal.

# Japan's GDP drops for fourth consecutive quarter

## Rise in public sector spending offset by fall in private investment

By Michiyo Nakamoto in Tokyo

Japan's gross domestic product fell for the fourth consecutive quarter in the July-September period, highlighting the dire state of the economy.

The latest figures make this the longest uninterrupted fall in Japanese GDP since the government began collecting data by the present method in 1955.

GDP shrank 0.7 per cent from the previous quarter for an annualised 2.6 per cent decline. The fall follows drops of 0.7 per cent in the previous quarter, 1.3 per cent between January and March and 0.4 per cent in the October-December quarter last year.

Taichi Sakaiya, chief of the Economic Planning Agency, indicated it would be difficult for Japan to achieve even the official government target of a 1.8 per cent decline in GDP this year.

An increase in public sector investment failed to offset a 4.6 per cent drop in private capital spending and a 6.2 per cent fall in private housing investment.

"These are pretty nasty numbers," commented Robert Feldman, chief economist at Morgan Stanley in Tokyo.

While the decline in GDP was as expected, the sharp drop in private sector investment was of concern since private consumption was also likely to weaken further, he said.

Income for heads of household fell a real 0.8 per cent in October year on year, while household spending was also down last month by 1 per cent from a year earlier.

Kiichi Miyazawa, the finance minister, noted that a planned freeze of the fiscal austerity law – designed to free the state budget of debt-financing bonds by 2005 – could be maintained after 2000, by which time Keizo Obuchi, the prime minister, aims to have put the economy on the road to recovery.

Analysts, however, noted that the government's strategy for restoring economic growth failed to address the underlying problems of excess capacity and structural inefficiencies.

"There is a socialist philosophy behind the way they are continuing to react to the problem. We've got the anaesthesia without the operation," Mr Feldman said.

A growing concern is the rising level of public sector debt as a result of the government's fiscal stimulus measures.

This fiscal year, Japan's public sector debt will exceed GDP for the first time, said the ministry of finance.

Public sector debt is expected to rise to Y560,000bn ($13.4bn), or 13 per cent more than forecast GDP of Y495,000bn.

The government's budget deficit is expected to be 9.8 per cent of GDP, significantly higher than the average of 3 per cent among other industrialised countries and worse even than Brazil's, which is 7.3 per cent. This is largely because of a series of bond issues made to finance two large economic stimulus packages.

# Saudis seek $5bn loan as deficit deepens and oil prices weaken

By Robin Allen in Dubai

Low and falling oil prices have forced Saudi Arabia, the Arab world's wealthiest country, to turn to its United Arab Emirates neighbour, Abu Dhabi, for a loan estimated by Saudi bankers at $5bn to help finance its soaring budget deficit.

Senior officials in Abu Dhabi would say little about the loan. "I know about the loan but I can't comment more than that," remarked one UAE federal minister.

Top officials at the Saudi Arabian Monetary Agency, the country's central bank, who had been speaking at a symposium at Riyadh's Public Services Institute, were unavailable for comment "until Saturday or Sunday" according to members of their staff.

This is the second time in four months that Saudi Arabia's government, owner of one quarter of proven global oil reserves, has had to raise budget deficit finance. Last summer, it used the creditworthiness of Saudi Aramco, the state oil company, to borrow $4.6bn in two stages from international markets to cushion the budget deficit.

According to senior diplomats in Riyadh, the government spent "at least" $1bn in one day alone at the end of last August to defend the Saudi riyal.

Saudi bankers say Abu Dhabi's loan will help stave off a budget deficit they estimate will reach $15bn this year, or 11 per cent of gross domestic product, compared with the $4.8bn deficit on which the Saudi budget was based in January.

Saudi economists say the actual deficit should fall below $15bn if the Saudi Aramco and Abu Dhabi loans are taken into account – unless oil prices fall into single figures.

On Tuesday, benchmark Brent futures set a 12-year low of $10.42 a barrel – about $1.50 above what Saudi Arabia receives for the net weighted average of its crudes. However, because of the discounts Saudi Arabia is offering customers in order to retain market share, foreign bankers suggest Saudi Arabia was netting less than $9 a barrel for much of its crude.

Saudi Arabia's request for help could hardly have come at a more sensitive moment. Heads of state of the six Gulf monarchies in the Gulf Co-operation Council, which also includes Bahrain, Kuwait, Oman and Qatar, are due to meet in Abu Dhabi next week for the 19th annual GCC summit.

The GCC states collectively own nearly 45 per cent of proven global oil reserves.

Diplomats say Abu Dhabi's bail-out of the world's largest oil exporter will have profound political implications for Saudi Arabia's domestic, regional and global prestige, and will dent impressions the Saudis have tried to foster of the government's ability to manage its economy.

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Short goodbye: Cosmonaut Sergei Krikalev waves before the planned launch of a US space shuttle. But the space station construction flight was aborted just before lift-off when an alarm sounded. AP

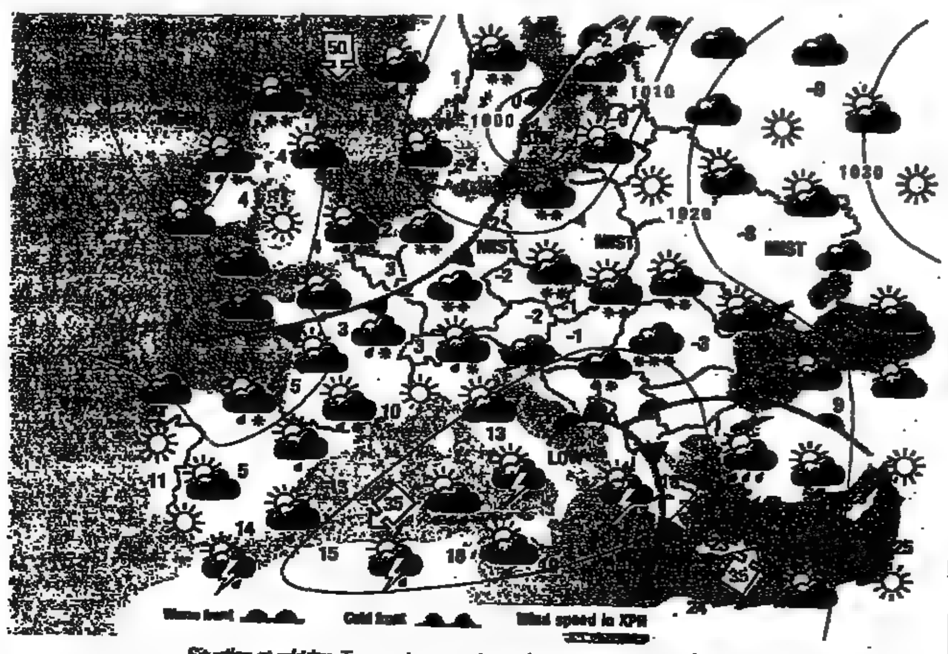
## FT WEATHER GUIDE

**Europe today**

It will continue wintry across much of Europe. Western Russia, central and eastern Europe will remain bitterly cold throughout the day. Scandinavia will be milder, although rain and snow will spread across the Baltic Sea. A cold front will bring chilly air, sunny spells, snow showers and a hard frost to north-west Europe. There will be snow across the mountains in the north of the Iberian peninsula. The central Mediterranean will remain unsettled with thunderstorms.

**Five-day forecast**

Extremely cold air will feed south from Scandinavia across central Europe, reaching most of the central Mediterranean by Sunday. Heavy snow and strong winds are likely across southern Sweden, Denmark, Germany and Poland. The Iberian peninsula and the British Isles are likely to be milder from Monday onwards.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

**TODAY'S TEMPERATURES**

| | | Maximum Celsius |
|---|---|---|
| Abu Dhabi | Sun | 26 |
| Accra | Sun | 32 |
| Algiers | Rain | 15 |
| Amsterdam | Shower | 2 |
| Athens | Shower | 18 |
| Atlanta | Fair | 24 |
| B. Aires | Shower | 29 |
| B.ham | Fair | 3 |
| Bangkok | Thunder | 32 |
| Barcelona | Sun | 13 |
| Beijing | Fair | 3 |
| Belfast | Fair | 4 |
| Belgrade | Rain | 6 |
| Berlin | Snow | -2 |
| Bermuda | Fair | 25 |
| Bogota | Fair | 13 |
| Bombay | Fair | 34 |
| Brussels | Snow | 3 |
| Budapest | Snow | -1 |
| C.hagen | Snow | -2 |
| Cairo | Sun | 24 |
| Caracas | Fair | 28 |
| Cardiff | Fair | 5 |
| Casablanca | Shower | 16 |
| Chicago | Shower | 11 |
| Cologne | Snow | 0 |
| Dakar | Sun | 32 |
| Dallas | Fair | 22 |
| Delhi | Sun | 26 |
| Dubai | Sun | 27 |
| Dublin | Cloudy | 4 |
| Dubrovnik | Shower | 8 |
| Edinburgh | Fair | 4 |
| Faro | Sun | 14 |
| Frankfurt | Snow | 0 |
| Geneva | Cloudy | 3 |
| Gibraltar | Shower | 15 |
| Glasgow | Fair | 4 |
| Hamburg | Snow | -1 |
| Helsinki | Snow | -2 |
| Hong Kong | Fair | 18 |
| Honolulu | Fair | 27 |
| Istanbul | Rain | 13 |
| [illegible] | Thunder | 31 |
| Jersey | Rain | 6 |
| Jo'burg | Thunder | 20 |
| Karachi | Sun | 30 |
| Kuwait | Fair | 25 |
| L. Angeles | Fair | 15 |
| Las Palmas | Fair | 22 |
| Lima | Fair | 23 |
| Lisbon | Sun | 11 |
| London | Cloudy | 4 |
| Lux.bourg | Snow | -2 |
| Lyon | Cloudy | 1 |
| Madeira | Shower | 19 |
| Madrid | Fair | 6 |
| Majorca | Shower | 13 |
| Malta | Fair | 19 |
| Manchester | Fair | 3 |
| Manila | Fair | 29 |
| Melbourne | Fair | 19 |
| Mexico City | Fair | 24 |
| Miami | Fair | 26 |
| Milan | Fair | 7 |
| Montreal | Fair | 10 |
| Moscow | Fair | -9 |
| Munich | Snow | 0 |
| Nairobi | Fair | 28 |
| Naples | Shower | 13 |
| Nassau | Fair | 28 |
| New York | Fair | 18 |
| Nice | Sun | 10 |
| Nicosia | Fair | 23 |
| Oslo | Snow | 1 |
| Paris | Cloudy | 2 |
| Perth | Sun | 33 |
| Prague | Cloudy | -2 |
| Rangoon | Fair | 32 |
| Reykjavik | Cloudy | 0 |
| Rio | Fair | 28 |
| Rome | Shower | 13 |
| S. Frsco | Shower | 12 |
| Seoul | Fair | 6 |
| Singapore | Fair | 31 |
| Stockholm | Snow | 0 |
| Strasbourg | Cloudy | 0 |
| Sydney | Sun | 22 |
| Tangier | Thunder | 14 |
| Tel Aviv | Sun | 25 |
| Tokyo | Shower | 14 |
| Toronto | Fair | 12 |
| Vancouver | Shower | 5 |
| Venice | Fair | 7 |
| Vienna | Snow | -1 |
| Warsaw | Fair | -4 |
| Washington | Fair | 21 |
| Wellington | Shower | 16 |
| Winnipeg | Fair | -1 |
| Zurich | Cloudy | 0 |

FINANCIAL TIMES
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Week 49

## INSIDE

**Navistar boosted by strong market**
A buoyant north American truck sector helped Navistar, the Chicago-based truckmaker, to post interim net income of $144m, up from $70m a year ago, bringing its full-year result to $299m against last time's $150m. Page 24

**Standard Chartered bids for MAIB**
The UK's Standard Chartered Bank has, with Dubai's Ole Holdings, bid to buy 75 per cent of Egypt's Misr America International Bank for $100m. The sale is part of Cairo's plan of state divestment in joint venture banks. Page 25

**SKF chief storms ahead with reform**

Sune Carlsson, the new head of Sweden's SKF, the world's biggest rolling bearings maker, says brutal treatment is needed to revive the group's poor margins. This brutality was shown this year when Peter Augustsson (left) was ousted as chief executive. Mr Carlsson has wasted no time. SKF has begun its third overhaul in a year, earmarking about 5,000 job losses. Page 25

**Telecom Italia head enters the fray**
Since taking over as head of Telecom Italia, the privatised group, Franco Bernabe has found himself in the middle of a battle. Rupert Murdoch, among others, is jockeying for position in the fight over digital pay TV and the whole future of Italian broadcasting. Page 26

**UK profit warnings on the increase**
The trickle of UK companies' profits warnings in the autumn has become a spate. Analysts badly underestimated the impact on company profits of global economic troubles. As expectations of better earnings fade, shares are expected to come under more pressure. Page 28

**Seabed mining code set for approval**
After years of debate, a code to regulate the recovery of minerals from the world's seabeds is set to be approved, allowing mining contracts to be awarded to agencies and groups in several countries. Commodities, Page 32

**Traders may not support Asian rise**
Pushed by increased liquidity, bourses in the Asian region have been buoyant recently. However, there are signs that some investors are reluctant to commit themselves to joining in a recovery that is not based on sound fundamentals. Emerging Market Focus, Page 42

**Ashanti signs revolving facility**
Ghana's Ashanti Gold Fields has signed a $270m revolving credit facility through a syndicate led by Chase Manhattan on terms Ashanti said had no "African premium" but matched those offered to Canadian and US gold producers. International Capital Markets, Page 30

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## MARKET STATISTICS

ANNOUNCEMENT FUELS SPECULATION ON INDUSTRY CONSOLIDATION AND LIFTS COMPANY'S SHARE PRICE

# GEC to outline defence strategy

By Alexander Nicoll, Defence Correspondent

General Electric Company of the UK said yesterday it would decide within weeks on an important strategic step for its defence business, heightening speculation about long-awaited consolidation of the defence industry and sparking a 12 per cent rise in its share price.

Lord Simpson, managing director, said the group "has been in intense discussions for several months with a number of major participants in the global defence industry. These discussions have progressed well and GEC expects to make a decision on its future strategic course soon."

In the City, the statement was seen as evidence that Lord Simpson will shortly make his biggest move yet to stamp his imprint on the company, which he has been reshaping since 1996 after taking on the job held by Lord Weinstock for the previous 33 years.

GEC's shares were the UK market's best performer yesterday, rising 54p to 506p in active trading on the back of Lord Simpson's remarks and on interim results showing a 21 per cent rise in underlying operating profits and a 9 per cent rise in sales.

GEC's options include an alliance with another European company such as Thomson-CSF of France, a merger with British Aerospace (BAe), and a link-up with a large US defence company.

The company was careful not to give any indication of its intentions. The imminent decision, Lord Simpson said, would not necessarily lead to an *immediate deal but would* determine future strategy.

He said recent discussions had included talks with Sir Richard Evans, BAe chairman. However, he gave no sign a link with BAe was more likely than any other option. Reports of a merger with Alcatel of France were "badly based".

BAe, widely expected to agree a merger with Daimler-Chrysler Aerospace (Dasa) of Germany, has consistently said it has been discussing all possible options with all other big defence companies.

GEC has frequently talked with Thomson-CSF, but is concerned a French tie-up might *undermine its business in the* US, where it sees substantial prospects for growth following the acquisition of Tracor, a Texas electronics company.

GEC has been sounding out US officials about possible reactions to a bigger deal than the $1.4bn Tracor purchase, in the light of the Pentagon's refusal to allow Lockheed Martin to buy Northrop Grumman.

Lord Simpson said there was a "clear change in attitude" in Washington, which has always been extremely concerned about security, towards encouraging transatlantic corporate alliances that could involve sharing of technology.

*If an outright purchase did* not seem likely to be allowed, another option might be a joint venture with a US company.

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Results, Page 23

# Samsung discusses business swap with Daewoo

By John Burton in Seoul

South Korea's efforts to promote industrial restructuring intensified yesterday with confirmation that Samsung is considering swapping its automotive operations for Daewoo's consumer electronics business.

A deal would represent a significant step forward in government efforts to promote a shake-up of the main industrial sectors, which are dominated by the top five *chaebol*, or conglomerates.

Lee Kun-hee, Samsung chairman "has decided to get out of the car business", said an official familiar with the negotiations. Mr Lee was the driving force behind Samsung's decision to begin car production this year.

That move was seen as ambitious even before the economic crisis triggered a sharp fall in Korean demand.

The company, which turned to Nissan Motor of Japan for technology, was a latecomer into the business, behind Korea's four other car manufacturers.

The move coincided with deepening overcapacity in the world car market. Established carmakers and new entrants from countries such as Malaysia, India and China have been trying to develop indigenous motor industries.

Under the deal, Samsung, *Korea's biggest electronics* company, would absorb Daewoo Electronics, but would try to spin off the consumer electronics business to concentrate on semiconductors. Samsung is the world's biggest producer of memory chips.

The swap between Samsung and Daewoo is in response to government pressure for the leading *chaebol* to rationalise their sprawling industrial empires by concentrating on core businesses.

Samsung would focus on electronics and finance, while Daewoo's main businesses would be cars and shipbuilding.

The deal would also reduce the number of domestic competitors in several overcrowded industries, leaving Korea with two carmakers – Hyundai and Daewoo, and two consumer-electronics companies, Samsung and LG Electronics.

Samsung's exit from the car industry has been expected since it failed to win the international auction for Korea's insolvent Kia Motors.

A takeover of Kia, with a production capacity of 1m vehicles, was considered crucial for Samsung by giving it economies of scale to compete overseas. Samsung has an annual production capacity of only 100,000 vehicles.

With the disposal of its car business, *Samsung* would largely complete its corporate restructuring. It has agreed to merge several other troubled businesses, *including* aerospace and petrochemicals, with *similar* units from rival *chaebol*.

Government *officials* expect Samsung to meet the state imposed *target of reducing* its debt burden to two times equity *by the end of* 1999.

However, the swap deal with Samsung would *not* solve debt problems for Daewoo. Government *officials said Daewoo* still needed foreign investment in its car *business* to ease financial pressure.

# Trading plummets on derivatives exchanges ahead of euro launch

By Edward Luce, Capital Markets Editor

Trading volumes on Europe's leading derivatives exchanges nosedived in November as the large banks cut back their exposure to the market in advance of European monetary union in January.

Eurex, the result of a recent merger between the Deutsche Terminbörse, the German exchange, and Soffex, the Swiss exchange, saw the steepest decline, with volumes dropping by 25 per cent to 19m contracts from October to November – its largest monthly fall ever.

The London International Financial Futures and Options Exchange, Europe's second largest, also saw a steep fall in turnover, with volumes declining by 24 per cent to 11.9m contracts from October to November. This was less than half Liffe's largest monthly volume recorded in October 1997. Matif, the French exchange, saw volumes decline by 22 per cent to 8.9m last month.

Traders attributed much of the decline to market nervousness in advance of the so-called "euro-conversion" weekend on January 2 and 3 next year. Hundreds of billions of dollars (equivalent) worth of European government bonds will be redenominated into the new single currency in time for the first full trading day of the euro on 4 January.

*This has caused headaches* in the back-office departments *of banks and big financial* companies, which have to change their software. "Everybody wants to buy our new Emu products but when we offer to sell them straight away, they say: 'Can we wait until early January?' " said one investment banker.

"People already have enough hassle adjusting their computer systems to the euro."

In addition, big investors, such as French insurance companies and Japanese pension funds, are putting new money on deposit for the next few weeks rather than investing in French franc or German D-Mark denominated government bonds.

This reduces the need to hedge exposure to the bond markets through the derivatives. "Once the bonds have been redenominated then demand will surge," said one portfolio manager.

However, the decline in volumes is also attributed to the stabilisation of general market conditions in the wake of the US Federal Reserve's decision to cut US interest rates on three separate occasions since early October.

Turnover in the leading government bond contracts had surged in *September* and October in the aftermath of Russia's domestic debt default as investors abandoned riskier markets in favour of German and US government bonds.

"Derivatives markets thrive on volatility and in the last *few weeks the markets have* become relatively calm," said *Edward Condon, head of global* listed derivatives products at *CSFB*. "We *think* volume in Europe will surge in January

once redenomination has been completed."

Bankers say that turnover in the non-listed over-the-counter derivatives market has also fallen sharply in the last few weeks as a result of a growing aversion to risk.

*The permitted risk exposure* of proprietary traders at the large *investment banks has* been drastically curtailed in *the wake of the near-collapse* of Long-Term Capital Management, the US hedge fund in late September. In addition, the withdrawal of other leading hedge funds from the market since September has depressed volumes.

"*Volumes often decline* towards the end of the year *because banks want to tidy up* their balance sheets," said one *trader. "But we've never seen* a decline on this scale."

Capital markets, Page 30

# Publisher Reed warns of 6% drop in profits

By John Gapper, Media Editor

Reed Elsevier, the Anglo-Dutch publishing group, yesterday provided further disappointment for investors by warning of revenue weakness *across its professional and* business publications.

The warning that pre-tax profits for 1998 would be around £770m ($1.2bn) – 6 per cent below the previous year and below the range of analysts' forecasts – pushed down shares in both Reed International and Elsevier.

The profit warning dismayed analysts, coming after a series of disappointments that have led to weakness in the shares of the two holding companies this year. Reed Elsevier is searching for a new chief executive.

Shares in Reed International closed 10.5p down at 443p. Elsevier shares closed Fl 0.8 down at Fl 23.40. Shares of Wolters Kluwer, the Dutch group that almost merged with Reed Elsevier this year, closed Fl 12.9 up at Fl 348.

Analysts said they were surprised by the trading results because the scale of the pressure on revenues and margins had not emerged in full at its interim results or at a briefing on the group's business publications last month.

Mark Armour, finance director, said the company "did point to some factors in the interims, but since then there has been a further weakening of economic conditions, and some changes in the competitive environment".

Reed Elsevier's business had been affected by a range of factors, including the Asian downturn, which had hit its exhibitions business and the rate of renewal of subscriptions to its science publications.

Revenues in business publications, which include the Cahners group, had been affected by a downturn in areas such as farming and electronics. This had reduced both recruitment and display advertising revenues.

*The company said its* margins were affected by continuing investment in switching from paper to electronic *formats in scientific publishing and elsewhere.*

Comment, Page 28

# Flemings to buy out Jardine joint venture for $300m

By Clay Harris in London and Louise Lucas in Hong Kong

Flemings, the UK investment banking and fund management group, is to take full ownership of Jardine Fleming, its 28-year-old Asian joint venture with Jardine Matheson, *the trading group.*

Jardine Matheson, whose history *predates* the *colonisation* of Hong Kong more than 150 years ago, is taking a further step back from the territory in the shares-and-cash deal, which values its half of Jardine Fleming at £180m ($300m).

The trading group, which moved its domicile to Bermuda in 1984, will see its stake in Robert Fleming Holdings, the UK bank's unquoted parent company, rise from 4.5 per cent to 15 per cent through the *issue of new shares. It* would rise to 17.5 per cent if a £40m *cash payment* is used *to buy* shares.

The deal continues Jardine Matheson's geographical diversification, giving it a larger stake in a company whose interests include a corporate finance division, the Save & Prosper retail financial services business in the UK, a Luxembourg-based European fund management arm and a US joint venture, Rowe Price-Fleming International.

By contrast, the transaction makes Flemings "slightly more Asian-centric", *chairman* John Manser said yesterday.

But it also *may calm* speculation about the future of one of the UK's *few remaining* independent investment banks. Fleming family interests will continue to hold more than 30 per cent, while Jardine Matheson's stake is capped at 20 per cent.

Flemings also reported a sharp fall in pre-tax profits, from £91.1m to £20.8m, for the six months to September 30. *Jardine Fleming contributed* a £2.3m loss.

Alasdair Morrison, Jardine Matheson's managing director, said the change was forced by globalisation in investment banking.

Henry Strutt, Jardine Fleming chairman, said: "This is seeing which way the tide of history is flowing."

The deal was seen otherwise elsewhere in Hong Kong. "It really is a step back and it clearly is a bit of a kick in the teeth for Hong Kong," the head of research at a European *securities house said.*

"What they are saying is, pan-Asia is *not of sufficient* size."

Mr Morrison denied it marked a retreat. "The overriding imperative has been to make sure Jardine Fleming has been structured to be as effective as possible," he said.

Jardine Fleming will retain its name and Hong Kong base, but William Garrett, Flemings chief executive, said more "functional direction" would come from London.

The UK bank has also bought the other 50 per cent of *Fleming Martin, one of* South Africa's leading institutional brokers. *It will pay from* $20m to $60m based on earnings.

Mice deal, Page 27

# Markets losses slash CIBC profits

By Edward Alden in Toronto

Trading losses at Canadian Imperial Bank of Commerce's world markets operations slashed fourth-quarter profits by more than 90 per cent.

The bank, Canada's second largest, reported net income of just C$34m (US$22m), or 1 cent a share, compared with C$405m, or 91 cents, in the same period last year.

While CIBC had previously warned that fourth-quarter results would be disappointing, analysts surveyed by the First Call research group had still been predicting net income of 38 cents a share for the quarter ending October 31.

The news knocked 65 cents off CIBC's share price to C$33.85 in mid-session trading on the Toronto Stock Exchange.

CIBC's results this year have been the worst of Canada's five largest banks, underscoring its exposure to volatile international markets. It reported a net loss of C$186m in its world markets division, which includes Oppenheimer, the New York investment bank acquired by CIBC in a controversial move last year.

The bank said yesterday it had taken steps to reduce volatility by focusing more on North American markets, cutting expenses and closing non-strategic businesses in the US such as mortgage-backed securities, emerging market debt and risk arbitrage.

For the year, CIBC took a C$143m after-tax charge for costs related to the acquisition and integration of Oppenheimer, and a C$44m after-tax restructuring charge for CIBC world markets. The bank also increased its general reserves for loan losses by C$200m.

CIBC profits for 1998 were C$1.06bn, down from C$1.55bn last year, but the entire profit was accounted for by the bank's personal and commercial banking divisions, which again turned in record results. CIBC's results contrasted sharply with other Canadian banks less exposed to the capital markets.

The Bank of Nova Scotia on Wednesday reported a 12.5 per cent increase in fourth-quarter net income, excluding special charges in the fourth quarter 1997. Earnings per share of 67 cents, was up from 62 cents. Last week the Royal Bank of Canada and the Bank of Montreal reported results slightly above expectations.

# CME looks to the future in a world of change

**The US exchange is seeking a strategic partner as it fights to meet the challenge of new trading systems, reports Nikki Tait**

Scott Gordon: looking at a competitive landscape

When Scott Gordon took over as chairman of the Chicago Mercantile Exchange in January, the task ahead did not look easy.

The exchange, one of the two big US futures markets, had been losing share in the global derivatives industry. Its seat prices – the tickets for admission – had halved in the space of three years, and the exchange was racked by internal divisions, mainly over how its traditional pit-based trading community should respond to the challenge of cheaper electronic systems.

It is to Mr Gordon's credit that a degree of calm has ruled since then. Moreover, thanks largely to the volatility on financial markets, the CME will do record business this year; two weeks ago, it surpassed its 1994 record of 203m contracts.

But the underlying position has not become any easier. Electronic trading has continued to make inroads at exchanges in Europe and elsewhere, while competition from new trading systems continues to threaten.

The CME itself saw an internet-based trading system for cattle futures proposed earlier this year, and now faces a new challenge from the bank-owned EBS system, which has begun to trade forward rate agreements electronically.

At the same time, a plan to cut costs by pooling back-office clearing operations with the Chicago Board of Trade, its big local rival, collapsed, to the dismay of big futures trading firms.

CME seats last changed hands for just over $300,000, less than one-third of the 1994 record.

"Our world has changed so much this year, and it's going to continue to change," Mr Gordon says. "The rapidity of change has not stopped accelerating."

In recognition of that shift, and the EBS threat, the CME's board last month recommended that electronic trading of eurodollar futures be allowed during daytime hours, alongside the traditional pits. This is the exchange's flagship contract, accounting for almost half its volume. The move would be accompanied by greater use of hand-held terminals and electronic clerking on the floor. A membership vote on the issue will be held in the new year.

Among traders, reaction has ranged from discomfort to a recognition that the shift may be inevitable.

Mr Gordon, who though only 46 has been a member of the exchange for more than two decades, is blunt: "We are looking at the competitive landscape and realise that there are alternatives out there to trading our products.

"One of them is EBS. To the extent that we need to defend our product line in interest rates, that was one of the driving factors in our decision to recommend side-by-side trading of eurodollars."

But he continues: "There are also other factors involved. We realise that we need to increase the capacity and distribution for Globlex 2 [the CME's own electronic system]. By launching eurodollars side-by-side, that gives us an opportunity. So it is both a defensive move and an offensive move on our part."

Does this mean the CME has other such plans in waiting? It has already used side-by-side trading strategy to good effect with its "e-mini" contract, a scaled-down version of its main equity index product.

"Well, certainly, if you take our currencies and stock index arenas, there have been – and will continue to be – competitors," Mr Gordon admits.

"But specific to the Standard & Poor's index, we have a long-term licensing agreement, and that precludes anyone from doing that exact same product. In currencies, we have had competitors and fought many battles to sustain what we have now. Side-by-side trading in those areas has not been considered."

Some traders say that once electronic execution is introduced, it will quickly supplant the pits – as happened at France's Matif this year.

Does Mr Gordon really think electronic and open-outcry systems can both be sustained? "Certainly on a short-term basis," he says. "I think longer-term, it's just too difficult to see out."

Meanwhile, the long-mooted shift in the CME's structure – which could see it shed membership-owned status in favour of a more conventional "for-profit" organisation – is being tied to the search for a "strategic partner".

"We've had serious discussion with a number of parties," says Mr Gordon, "but at the end of the day we can't force something to happen … I'm reluctant to put a time-frame on it, because it's something that could happen in very short order, or could necessarily take longer."

Potential partners range from the London International Financial Futures and Options Exchange, which is on a similar quest, to trading firms such as Cantor Fitzgerald.

Mr Gordon declines to discuss a shortlist, but acknowledges a partner could come from three fields: the exchanges; the cluster of non-exchange institutions engaged in the derivatives industry, such as over-the-counter traders; or technology and financial information providers.

# Navistar doubles to $299m for year

By Nikki Tait in Chicago

The strong North American truck market helped Chicago-based Navistar to report fourth-quarter net income of $144m, up from $70m a year ago, bringing the full-year result to $299m, against [illegible] last time.

Navistar, which is one of the big US manufacturers of medium and heavy trucks, along with school buses and diesel engines, said that the fourth-quarter figures reflected "strong volume across all businesses and improvement in product mix, in turn increasing overall profitability."

Industry demand for heavy trucks in North America totalled about 232,000 vehicles in fiscal 1998, compared with 196,800 units in the previous year, the group calculated.

Medium truck demand was 127,200 units, up from 117,400 a year earlier.

In addition, Navistar said it pushed up market share in the first segment to 19.1 per cent, a 0.5 percentage point increase on 1997, and to 38.5 per cent for medium trucks, up 1.7 percentage points.

The results for the fourth quarter to the end of October were struck on sales of $3.17bn, up from $1.89bn, and translated into earnings per share of $2.14, compared with 85 cents.

That was way ahead of market expectations, which had been pitched around $1.46, according to the First Call research firm.

Navistar shares surged $2 to $26⅞ in early New York trading.

However, the company predicted that the truck market would weaken slightly next year. It expected heavy truck demand to ease to 224,790 vehicles, while medium trucks could slip back to 124,000.

Demand for school buses was put at 31,300 units, compared with 31,700 this year and 33,2000 in 1997.

WALL STREET INTERNET SHARES IN DEMAND

# Ticketmaster price soars on first day

By John Labate in New York

Wall Street's enthusiasm for new internet-related shares continued yesterday as shares of Ticketmaster Online-Citysearch soared more than 200 per cent on their first day of trading.

A strong debut had been widely anticipated after the 7m Ticketmaster shares were priced late on Wednesday at $14 each, well above the expected range of $11 to $13 a share.

The shares opened at $48, and remained near that level by midday in spite of a sell-off in many sectors on Wall Street. The Dow Jones Industrial Average was down 96.03 at 8,968.51 in mid-day trading.

Nationsbanc Montgomery Securities was lead underwriter of the Ticketmaster offering. It came soon after underwriters of two other expected initial public offerings said the values of those deals – including a regional chain of Chinese restaurants – had increased due to strong demand.

The recent strong bidding for small internet shares on their first day of trade is seen as coming largely from active internet-based retail investors.

"These deals are getting priced as far as they can be pushed by the investment bankers," said John Fitzgibbon, editor of the IPO Reporter in New York.

uBid, an online auction company, is expected to float 1.58m shares with an offer price between $14 to $15 a share, while P.F. Chang's China Bistro will offer 4.15m shares at between $15 to $17 a share. Both deals are expected to reach the market today.

Ticketmaster Online-Citysearch, the newly-formed combination of two unrelated companies, was formed under the ownership of USA Networks, the collection of television stations headed by Barry Diller. The companies were combined in September shortly after Citysearch's unsuccessful attempt to launch its own public offering. USA Networks owns 42m, or 67 per cent, of Ticketmaster's class A shares.

Ticketmaster, the larger of the two divisions, provides ticketing information for entertainment events by telephone and on the internet. It achieved revenues of $14.3m in the first eight months of the year but did not make a profit.

Citysearch operates websites that offer local entertainment and sports information in 12 US cities and a handful of overseas cities, including Copenhagen and Sydney.

For the first nine months of the year, Citysearch's revenues were $11.3m.

● Shares in Brylane surged more than 30 per cent in early New York trading yesterday after France's Pinault Printemps Redoute launched a bid for the remaining 50.1 per cent of Brylane that it does not already own, valuing the New York-listed retailer of outsized clothing at $344m, writes Samer Iskandar in Paris.

PPR, France's largest specialised retailer and mail order group, acquired 43.7 per cent of Brylane from institutional investors in April for $409m, or $51 a share, which valued the company then at $935m. It has since increased its stake to 49.9 per cent.

Yesterday's offer, which has to be approved by Brylane's board, was at $20 a share. Brylane shares were $5¼ higher at $22¼ by midday.

PPR is optimistic that if its offer is successful, synergies can be achieved through cross-selling of products with La Redoute, PPR's French mail order business. The move is part of PPR's international expansion strategy.

# SocGen wins Romania bank tender

By Virginia Marsh

Société Générale yesterday emerged as the winner of a tender for a majority stake in the first *Romanian* state bank to be privatised, ahead of rival bidder Banque Nationale de Paris.

Negotiations have yet to be finalised but it is hoped an agreement on the sale *of* 51 per cent of the Romanian Development Bank will be signed by December 15.

*It is understood* the French bank bid $21 a share for RDB, the smallest of the "Big Five" commercial banks, and has also agreed to fund a 20 per cent capital increase of $68m. *This would* involve it paying about $240m for the 51 per cent holding.

The sale of the bank – which has been much delayed – would be a significant boost to Romania's centre-*right* government, which has come under repeated pressure from the international community to speed up flagging reform efforts.

"This looks like a very decent price given the cut in ratings and difficult economic conditions both locally and internationally," said a senior banker in Bucharest.

Romania – whose last agreement with the International Monetary Fund expired this year while only partly disbursed – *has* had several ratings downgrades this year on fears it might default on debt. *Last* month Moody's cut its rating for the country's foreign-currency bonds *from* B1 to B3.

Société Générale, one of the most active international *banks in Romania*, is expected to retain RDB's profile as a retail bank and build up its investment banking and brokerage operations.

RDB, which has a large branch network, has a capital-adequacy ratio of about 18 and had assets of 8,000bn *lei ($792m) at the end of last* year. The EBRD is also expected to take a stake, *with* a further 18 per cent earmarked for management and employees.

Romania is also in talks to sell a 45 per cent stake in the smaller Banc Post with GE Capital of the US, and Banco Portugues de Investimento, seen as the front runners.

# A tough regime in anyone's language

**SKF's new chief is imposing brutal measures to achieve his aims, writes Tim Burt**

Sune Carlsson: group will withdraw from some areas altogether

The boardroom at SKF, the world's largest manufacturer of rolling bearings, is well equipped.

A tidy sum has been spent on projectors, microphones and conference-call facilities. But pride of place goes to a glass translation booth, set into one wall.

Senior officials at SKF say the translation service is used by directors unsure of their English – the *lingua franca* of all board meetings at the Swedish company.

But Sune Carlsson, SKF's *new chief executive*, believes interpreters are unnecessary to understand his vision of the company.

Mr Carlsson says brutal treatment is required to *revive* the group's lacklustre margins, while also reducing its exposure to cyclical industries and volatile emerging markets.

That brutality was amply demonstrated this year when Peter Augustsson was ousted as chief executive.

In what insiders described as "a public hanging", SKF chairman Anders Scharp blamed Mr Augustsson for the group's miserable performance over the past two years – and expressed the hope that Mr Carlsson would do better.

Mr Augustsson's departure reflected growing impatience at Investor, the Wallenberg investment vehicle that owns 33 per cent of SKF's voting rights.

Few companies within the Investor portfolio have produced such meagre returns as SKF. The shares have fallen 43 per cent over the past year, in spite of heavy restructuring and thousands of job losses.

Mr Carlsson, recruited from Swiss-Swedish engineering group ABB, is *no* stranger to SKF's problems.

As head of ABB's industry and construction systems, he was an important SKF customer for many years. More important, he had been a non-executive director at SKF since 1991.

Even so, he was not prepared for what he found after taking over in September. "There are profit problems in the old units, and there are new problems in new areas," he says. "In the areas where SKF expanded aggressively in the 1990s – Asia and eastern Europe – they are not making the money hoped for. I find the losses very irritating."

That has forced SKF to embark on a further SKr2bn ($248m) restructuring – its third big overhaul in a year – after unveiling a SKr247m pre-tax loss for the first nine months of the 1998.

In all, some 5,000 jobs are to be sacrificed, a third of which have already gone. Production will be tailored to demand and the company is to withdraw from some areas altogether, such as textile machinery components.

Mr Carlsson has also decided to cut investment in capital equipment by about SKr1bn a year from SKr2.5bn at present.

*In a package of measures*, he has also indicated that SKF will reconsider its automotive components operations in North America. "We will not withdraw from that business, but it could well be there will be plant closures."

Mr Carlsson – who still commutes to SKF's Gothenburg headquarters from Zurich, ABB's home town – is also dissatisfied at the over-emphasis on volumes rather than margins. And he criticises the previous management for pursuing market share without protecting prices: a strategy long abandoned at ABB.

"The result [for SKF] has been that price levels have fallen faster than we could cut costs," says the new chief executive. "I think we can play this game more cleverly."

That may be easier said than done. Many buyers of SKF bearings – used in products from in-line skates to bicycles, washing machines and industrial tools – regard them as commodities; hardly premium price components.

Global overcapacity and fierce competition with rivals such as Timken of the US and FAG Kugelfischer of Germany has further dented prices and margins.

International demand, moreover, is not expected to pick up for another year at least. Even after Mr Carlsson's surgery, SKF will not show the benefits of the current restructuring much before 2000.

In the meantime, Mr Carlsson has to rid SKF of loss-making operations, perhaps withdrawing from more areas than planned.

That would enable him to focus on the growth areas – particularly in services and aftermarket – where margins are already a healthy 15 per cent or so.

If he achieved that, it would go a long way to eliminating the SKr1bn of annual losses expected in SKF's worst performing businesses. More important, it would lift SKF's shares from historic lows.

Mr Carlsson reluctantly admits he will have to move to Gothenburg permanently to fully devote himself to the task. And he cautions against anyone expecting him to translate his ambitions into rapid results.

"Next year we do not expect a real upturn," he adds. "We see the same level of demand and a downward trend in volumes for a while."

# Standard Chartered bids for MAIB

By Mark Huband in Cairo

*Standard Chartered Bank, of* the UK, has bid to buy 75 per cent of Egypt's Misr America International Bank in a $100m deal in partnership with Ole Holdings of Dubai.

MAIB is to be sold as part of the Egyptian government's *strategy of state* divestment in joint venture banks. MAIB, with assets of EP1bn ($294m), is one of the smaller Egyptian banks. It is owned by Banque du Caire and the Misr Insurance company, which both hold 32.8 per *cent. A third Egyptian* institution holds 17.3 per cent, while the remaining 17.3 per cent equity stake valued at $20m has already been bought by Ole Holdings, a Dubai-based group with global interests ranging *from food processing to property*.

Two other bids are being considered for MAIB, from Credit Agricole of France and the Egyptian Kuwaiti Holding Company.

The Standard Chartered bid *marks a serious attempt* to move into the Egyptian market. If successful, it will take a 75 per cent stake in MAIB, with the remaining 25 per cent going to Ole Holdings.

"What we will get out of *this deal is* exposure in the Egyptian market," said Al Barry, Ole Holdings' senior *vice-president for finance* and investment. "It will give us the presence from which to acquire [Egyptian] privatised companies, which will be much easier through the bank."

The deal has reached its final stages just as Barclays Bank of the UK finalised two years of negotiations to increase its stake in Banque du Caire Barclays International from 49 per cent to 60 per cent in a deal worth EP77m ($22.7m). Banque du Caire is expected to further reduce its *stake to* about 25 per cent, as required by rules governing state-owned *banks' shares in joint* venture banks.

# Indonesia bank ratings cut

By Sander Thoenes in Jakarta

Standard & Poor's, the *rating agency*, yesterday downgraded two big Indonesian banks, citing their *delays in raising new* capital.

The agency downgraded the long-term local-currency ratings to CCC plus of both Bank Negara Indonesia, the partially privatised bank, and Bank International *Indonesia (BII), one of the* largest private banks and widely believed to be one of the best run.

"Recapitalisation, a key factor in the recovery of the Indonesian banking sector, continues to proceed at a *pace lagging that of adverse* banking developments," S&P said.

While interest rates have come down in recent months, they remain more than double the pre-crisis rates. This means many *banks* are earning less interest on outstanding loans than they spend on deposits. Worse, S&P predicted that 65 per cent of Indonesian bank loans would be non-perform*ing by the end of* 1998.

The government has offered to inject four times the value *of any new* capital, most likely in the form of government bonds, in an effort to attract investors. However, it has so far failed *to offer details of its plan or* announce long-awaited banking reforms.

Analysts said government bonds would be hard to sell, leaving banks as short of capital as before.

BII yesterday reported a net loss *of* Rp62.9bn ($8.5m) for the first nine months, compared to a profit of Rp328.7bn in the same period last year. It tripled its provisions *for bad loans* and showed a sharp drop in loans and deposits.

# Fokus awaits key takeover approvals

By Valeria Skold in Oslo

Fokus Bank, Norway's fourth largest lender, today expects to receive approval from the two key outstanding shareholders on a NKr5.8bn ($459m) takeover bid by Den Danske Bank, Denmark's largest bank.

*An acceptance of Den* Danske Bank's bid of NKr80 a share by Fidelity Investments, the US investment management group, and Den norske Bank, Norway's largest lender, would clear the way for the only successful merger this year with a Norwegian bank after a series of failed attempts by other Scandinavian banks.

Svenska Handelsbanken, Sweden's largest bank, lost a bidding war last month with Den Danske Bank shortly after a proposed three-way merger between Fokus Bank, Postbanken, the state-owned bank, and *Christiania* Bank, Norway's second-largest, collapsed during negotiations over distribution terms.

The latest positive signal for Den Danske Bank's bid came yesterday when one of Fokus Bank's other major shareholders, *Danish insurer* Codan, agreed to sell its Fokus Bank shares as part of a deal to continue a co-operation arrangement on insurance products.

This *was* considered by analysts as a significant step in clinching the required 90 per cent majority before the bid deadline this afternoon as Den Danske owns Danica, a Danish insurer.

Fokus Bank had not received any signals from Fidelity and Den norske Bank.

"I think it's very normal that big shareholders wait until the very end because there could be another bid," said Anne Karin Sveinall, Fokus Bank spokeswoman. "But we have learned not to celebrate too early."

# Leading man chooses to play it cool in Italian TV drama

Franco Bernabe, Telecom Italia chief, is taking his time deciding his company's future in digital pay-TV, **writes Paul Betts**

Franco Bernabe was never cut out to play the lead role in a television soap opera.

Cool, reserved, reflective, the former chief executive of Italy's Eni oil and gas group had indeed seemed to have skilfully side-stepped the sudden shake-up in the international oil industry by moving last week to Telecom Italia.

But since taking over as the new chief executive of the Italian privatised telecommunications group, Mr Bernabe has found himself at the centre of a battle royal over the future of Italian broadcasting and the country's efforts to enter the new world of digital pay-television.

The very day he took charge, Rupert Murdoch, the media tycoon, announced he was setting up a new European subsidiary based in Milan for his News Corp empire. He also enlisted Letizia Moratti, a former chairman of Italy's RAI state broadcasting network and a businesswoman of some influence in Italy's big-business network, as his business partner.

After failing earlier this year to acquire control of Mediaset, the commercial television group controlled by Silvio Berlusconi, the former prime minister and rightwing opposition leader, Mr Murdoch turned his sights on Telecom Italia and its former management's efforts to enter Italian digital pay-TV. Early this summer he was ready to sign a deal that would have given him 39 per cent of Stream, Telecom Italia's vehicle to launch a Italian digital platform, with TF1 of France taking 10 per cent in the partnership.

Gian Mario Rossignolo, Telecom Italia's chairman ousted last month, was also ready to sign. But he was already fighting to save his job, and procrastinated as he sought support from the Rome political establishment that had always viewed with distaste Mr Murdoch's Italian television ambitions.

If Mr Murdoch thought he could bulldoze a snap decision from Mr Bernabe by announcing his new European venture, he miscalculated – badly.

Friends and colleagues of the former Eni chief executive say Mr Bernabe always considers the issues carefully before making his mind up. He is also sensitive to the intricate ways of Italian politics, and no issue is more political in Italy than television.

On Tuesday, he received a mandate from the Telecom Italia board to conduct his own rapid review of the company's digital TV strategy. On Tuesday night he dined with Mrs Moratti to discuss the Murdoch option. He will also talk to the RAI state broadcasting network, to Berlusconi's Mediaset group, and probably to Mr Cesare Romiti, the former head of Fiat and now chairman of Rizzoli, one of Italy's biggest publishers.

Left to right: Silvio Berlusconi; Letizia Moratti; Franco Bernabe; Cesare Romiti; Rupert Murdoch

Forecasts of pay television households (000's)

| | 1996 | 1997 | 1998* | 1999* | 2000* | 2001* |
|---|---|---|---|---|---|---|
| Premium Channel | 759 | 880 | 982 | 1,063 | 1,114 | 1,174 |
| Cable | - | 180 | 273 | 442 | [illegible] | 772 |
| Satellite | 95 | 175 | 323 | 476 | [illegible] | 769 |
| Total | 889 | 1,143 | 1,566 | 1,982 | 2,352 | 2,725 |
| Penetration | 4.1% | 5.7% | 7.8% | 9.8% | 11.7% | 13.9% |

Source: [illegible]

Forecast viewing shares (%)

| | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|
| RAI Uno | 22.8 | 22.1 | 21.5 | 20.8 |
| Canale 5 | 21.0 | 21.8 | 21.8 | 21.8 |
| RAI Due | 15.9 | 15.8 | 15.7 | 15.7 |
| Italia 1 | 10.5 | 10.4 | 10.2 | 10.2 |
| RAI Tre | 9.4 | 9.2 | 9.2 | 9.1 |
| Rete 4 | 9.2 | 9.3 | 9.3 | 9.2 |
| Cable & Satellite | 0.2 | 0.6 | 1.0 | 1.5 |
| Other | 10.9 | 10.6 | 11.1 | 11.5 |

[illegible]

One thing is already clear: Mr Bernabe is set on refocusing Telecom Italia on its core business of providing communications services and not embarking on any extravagant broadcasting adventure.

That does not necessarily rule out a deal with Mr Murdoch. One option Mr Bernabe appears to be considering is reducing his company's orginal exposure in the proposed Stream digital-TV platform. Instead of controlling 51 per cent, Telecom Italia would reduce its stake to about 30 per cent, with Mr Murdoch and partners owning the rest. The problem is that this risks provoking fierce political opposition, as Mr Murdoch would be seen gaining control of a new Italian TV venture.

The government has continued to build barricades against Mr Murdoch's making a grand entry into Italian television, thus protecting the balance between RAI and the commercial Mediaset networks.

It is proposing to set a 30 per cent limit on the pay-TV rights that any single operator can own for Italian league soccer games. It is also calling for the establishment of a single digital pay-TV platform rather than the present proposal for two competing systems. A single platform would be open to all operators diminishing the risk of any one becoming too dominant.

However, a common platform risks raising serious objections in Brussels. Karel Van Miert, the European competition commissioner, has already opposed any German attempt to form a single platform. Should Italy decide to go ahead with a single platform, it is likely to become embroiled in another heated confrontation with Brussels just as the country joins the new European economic and monetary union.

Mr Murdoch, through Mrs Moratti, is expected to seek other Italian partners to join his proposed deal with Telecom Italia to ensure a strong Italian presence and keep his stake at a more acceptable 39 per cent. All eyes are on Mr Romiti who could use this opportunity to launch Rizzoli into television.

Apart from political opposition, Mr Murdoch – who renewed on Wednesday his intentions to invest in Italy whatever Mr Bernabe ultimately decided – has also faced a spirited campaign from his French rival Canal Plus to keep him out of the Italian market.

Canal Plus owns 90 per cent of Telepiù, the existing loss-making Italian pay-TV network with about 1.3m subscribers. The other 10 per cent is owned by Fininvest, the Berlusconi holding company that controls Mediaset. Canal Plus has sought to outmanoeuvre Mr Murdoch by already signing up the TV rights for seven top Italian football clubs.

# Framatome reassured on Siemens tie-up

By Graham Bowley in Frankfurt

Siemens of Germany eased French fears yesterday by restating firm commitment to its nuclear power joint venture with Framatome of France.

The commitment came as Germany's biggest electronics group forecast that sales would grow more than 10 per cent this year, and widened its reorganisation to link senior managers' pay to profits.

Heinrich von Pierer, chief executive of the electronics and electrical engineering group, said earnings would grow slightly more strongly than sales in the current financial year.

This was despite the economic crises in Asia and Russia.

The upbeat assessment followed disappointing results last year, which triggered the announcement last month of a wide-ranging restructuring of the Siemens empire, including the sale of businesses worth DM17bn ($10.2bn).

There had been some concern in France that Siemens might be forced to pull out of the joint development of the European Pressurised Water Reactor with Framatome.

This was because of the German government's decision to wind down nuclear-powered electricity generation.

But Siemens said: "We see no reason to change our strategy in relation to the co-operation with France just because of the new government or its nuclear policy in Germany."

Siemens confirmed that sales in the last financial year, which ended in September, rose 10 per cent to DM117.7bn.

Net income before extraordinary items grew only 1.9 per cent to DM2.66bn.

This included a one-off charge of DM7bn, due to restructuring costs, risks in Asia and losses at its semiconductor and transport businesses, Siemens said.

Heinrich von Pierer: upbeat

Pre-tax profit fell 2.8 per cent to DM3.44bn.

The group warned that earnings this year could be dented by the German government's controversial tax reform plans, high wage demands by German unions and the introduction of the euro.

IG Metall, Germany's biggest union, has called for a 6.5 per cent pay increase next year.

Siemens was silent yesterday on further details of its restructuring programme. The company said a new executive compensation plan would mean about 80 per cent of top managers' pay was linked to company performance.

Siemens plans to report its results according to US GAAP accounting rules in 2000.

This would be a step towards a listing of its shares on a stock exchange in the US in "early summer 2001", the company said.

# Finnair to join worldwide grouping of airlines

By Tim Burt in Stockholm

Oneworld, the global airline alliance led by British Airways and American Airlines, is to be enlarged next week with the admission of Finnair, the state-controlled Finnish flag carrier.

The move follows several months of talks between BA and Finnair, and marks the first expansion of the Oneworld partnership since its formation in September. It will also become the second European member of the alliance, comprising BA, American, Qantas of Australia, Canadian Airlines and Hong Kong-based Cathay Pacific.

Airline officials said Finnair's participation would enable Oneworld to challenge more effectively the Star alliance, the rival six-carrier group which has targeted the Nordic region by developing complementary services between Scandinavian Airlines System and Lufthansa of Germany.

Competition in the region has also intensified following the acquisition by KLM of the Netherlands of a controlling stake in Braathens, Norway's largest independent airline.

"Finnair will bring their network strength in the Nordic region to Oneworld," said a senior executive at one of the existing member airlines.

The Finnish carrier's membership signals a strengthening of its ties with British Airways. The two carriers first signed a code-share agreement last year, after Lufthansa abandoned a partnership with Finnair in favour of SAS, the three-nation Nordic carrier.

Finnair has also been anxious to secure new international partners after SAS joined forces earlier this autumn with Maersk, the Danish carrier. Maersk was previously a Finnair partner.

The move follows a thinly-veiled warning from Finnair that increased competition and rising costs would dent its full-year profits, which reached FM696.7m ($132.2m) in the 12 months to March 31 this year. Announcing reduced interim profits recently, the carrier said that a strategic review would address slowing passenger and cargo demand.

The Finnish government has signalled that it could reduce its 58 per cent holding in the carrier in the future, although no decision is likely before the country's parliamentary elections next year.

# Rom Telecom deal on track despite delay

By Kerin Hope in Athens and Vincent Boland in London

OTE, the Greek public telecommunications company, said yesterday its $690m acquisition of Romania's Rom Telecom was still on track despite a delay in arranging financing as a result of the chief executive's sudden resignation.

Vassilis Rapanos, OTE's chairman, said an Ecu500m ($590m) bridge loan would be signed next week to finance the Romanian deal, for which a binding contract was signed on November 12. It is the largest foreign investment made by a Greek company and one of the biggest privatisation sales in eastern Europe this year.

OTE was due to sign the six-month facility, arranged by National Bank of Greece with a syndicate of Greek and foreign banks, in London on Wednesday. But the signing was called off after the resignation of George Chryssoulouris, the chief executive, was made public.

Under the terms of its contract with the Romanian government, OTE is due to pay in full later this month for a 35 per cent stake in Rom Telecom and take over management, in partnership with GTE of the US, on January 1.

"We intend to honour our commitment to the Romanians," Mr Rapanos said. "The terms of the loan are agreed, and it will be signed immediately after the board appoints an interim chief executive." George Skarpelis, deputy chief executive, will take over day-to-day running of OTE until the arrival in mid-January of George Simeonides, a former senior OTE executive who works for Inmarsat, the international maritime satellite organisation.

OTE's share price yesterday plunged 8 per cent, the maximum allowed in a single trading session on the Athens stock exchange. It closed down 7.5 per cent at Dr6,690. In New York on Wednesday, OTE's American Depository Receipt fell 11.8 per cent.

A senior Greek government official said yesterday that Mr Chryssoulouris was pressured to resign by Yannos Papantoniou, the economy minister, and Tassos Mantelis, the transport minister. Mr Papantoniou represents the majority shareholder, the Greek state, which controls 55 per cent of OTE.

"He wouldn't co-operate with the transport minister, or keep the board of directors informed of his actions," the official said.

Bankers in the syndicate, which include Citibank, Dresdner Bank and Banca Nazionale del Lavoro, said the pricing should not be affected by the company's boardroom crisis, although they expressed disappointment at the departure of Mr Chryssoulouris. Greek banks are contributing the bulk of the financing for the Rom Telecom acquisition.

# Elf Aquitaine rules out oil companies alliance

By David Owen in Paris

France's Elf Aquitaine has no intention of forging a link with another oil company, Philippe Jaffré, Elf chairman, said yesterday.

But he acknowledged that Elf did look at PetroFina, the Belgian oil group to be taken over by Total, Elf's French rival, though it did not make an offer.

Questioned on the apparent discrepancy between the two positions, Mr Jaffré said it was "legitimate" to take a look at such dossiers whenever something happened in the industry. This was partly to gain a better understanding of one's own current strategy and partly because acting in that way tended to push up the price for the eventual buyer.

Total has launched an investor relations campaign to overcome lukewarm shareholder support for its proposed takeover of PetroFina. Doubts have arisen about the 37 per cent premium Total is paying and the extent of possible cost savings.

Total's efforts had some effect yesterday, with the shares closing up FFr9, or 1.5 per cent, at FFr599 – a gain that was still smaller than the 1.8 per cent advance registered by the benchmark CAC 40 index. This followed Wednesday's 4.5 per cent decline and a 12 per cent loss on Tuesday when the PetroFina deal was announced.

The proposed Total-PetroFina link-up is part of a wave of consolidation engulfing the western world's oil industry, with Exxon of the US this week announcing an agreed takeover of Mobil in the world's biggest merger, and British Petroleum taking over Amoco last year.

Mr Jaffré's comments came at a press conference with Lindsay Owen-Jones, chairman of L'Oréal, the cosmetics group, marking the planned merger of the French pharmaceuticals companies Sanofi and Synthélabo.

Elf should have a 35.1 per cent shareholding and about 45 per cent of the voting rights in the combined group, Sanofi-Synthélabo, with L'Oréal taking a 19.4 per cent stake and 25 per cent of the voting rights. Sanofi's beauty business is to be divested.

Elf and L'Oréal are to sign a shareholders' agreement for at least six years. During this period, it is intended that each would retain about 20 per cent of the new group's capital.

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# Fiat in Mitsubishi link

By Paul Betts in Milan

Fiat of Italy and Mitsubishi Motors of Japan are planning a joint venture to produce a new four-wheel-drive sports utility model.

Although the Turin-based group yesterday declined to comment on the proposed deal, negotiations are understood to be advanced.

The new car would enable Fiat to fill a gap in its car range while renewing Mitsubishi's four-wheel range. Its models are ageing and losing competitiveness to its principal Japanese rivals. Toyota and Honda have launched new models that have challenged Mitsubishi's former leadership of this segment.

Fiat has not been present in this increasingly popular market for the past 15 years, after it stopped producing its Campagnola model.

The joint venture is expected to produce a completely new car and will not be based on Mitsubishi's Pajero.

The Japanese company is already working with Pininfarina, the Italian group that designs cars for other manufacturers in the development of a new sports utility vehicle based on the Pajero platform.

Mitsubishi and Pininfarina signed an agreement two years ago and sales of the new car is due to start next year.

The new Mitsubishi vehicle is being produced at Pininfarina's existing plants in the Turin region . Annual production is expected to reach 35,000 vehicles.

Fiat already has joint production deals with Renault in the bus and truck sectors and produces a small van together with Peugeot.

# Skanska to shake up Scancem board

By Tim Burt

Skanska, the Swedish construction group, is planning to appoint seven new directors at Scancem – its associate cement company – to force through a shake-up designed to mollify European Commission concerns over Scancem's hold on the Nordic cement market.

As part of the boardroom overhaul, Sven Ohlsson, Scancem chief executive, will be removed after criticising plans by Skanska to force the cement maker to sell its Finnish operations.

Mr Ohlsson, who is likely to be replaced by Bo Jacobsson, Scancem's chief operating officer, had complained that Skanska's proposal was aimed solely at averting European Commission fines over the formation of the company in 1995.

The Commission had threatened to fine Skanska following an investigation into the creation of Scancem, formed by the merger of Skanska's cement interests and the building materials arm of Aker, the Norwegian conglomerate.

Brussels was also concerned at Skanska's failure to notify the Commission last year it had increased its voting rights in Scancem to almost 50 per cent.

As part of a settlement, the Skanska agreed that Finncement, Scancem's Finnish business would be sold, and that it would then unwind its own stake in the company.

Skanska has convened an extraordinary meeting this month to elect a new board and force through the proposals. The shake-up will also see the departure of Sven Borelius, a non-executive director of Scancem who had supported Mr Ohlsson.

The seven new directors include Henning Christophersen, a former Danish finance minister, and Sven-Erik Hersvall, a former chief executive of Skanska. Claes Björk, Skanska chief executive, is expected to remain Scancem chairman.

BANKS JAPANESE GROUP SAYS INSPECTION CONFIRMS ABSENCE OF COVER-UP, BUT ANALYSTS UNCONVINCED

# Bad-loan review cheers Fuji Bank

By Julie Ness in Tokyo

Fuji Bank said yesterday a special investigation by Ernst & Young, the international accounting firm, confirmed there was no evidence of Fuji covering up bad loans by transferring them to affiliates.

The inspection by western accountants, unprecedented in the Japanese world, was aimed at reassuring investors concerned about *tobashi*, the practice of hiding bad loans from the bank's balance sheet.

However, analysts warned that Fuji's interpretation of Ernst & Young's findings did not comply with US accounting standards and might be considered a poor substitute for a full-blown audit.

"As no audit was conducted, the scope of substance is limited to a great degree," said James Fiorillo, banking analyst at ING Barings. "I am surprised by this formal announcement and wonder what Fuji wants to achieve with it."

Fuji Bank, which has been plagued by rumours that it had hidden losses at affiliates, has suffered a collapse in its share price from a high this year of Y1,130 in March to Y453 yesterday.

It had asked Ernst & Young two months ago to inspect its books in a bid to prove that the market speculations about potential derivative losses and *tobashi* activities had no basis.

Investors became more aware of this practice after it was revealed that Yamaichi Securities used *tobashi* before it collapsed last year. The government has also indicated that Long Term Credit Bank, which is being nationalised, used *tobashi* to conceal problems.

Two weeks ago, Fuji announced that the accounting firm had given a clean bill of health on the bank's exposure to derivatives. On the basis of Ernst & Young's latest findings, Fuji's management believed there was no evidence of *tobashi* since no bad loans were transferred to non-consolidated subsidiaries and no loans were made to "paper" companies, the company said.

According to Fuji Bank, the inspection also showed that Fuji's self-assessment of its loan portfolio complied with Japanese government guidelines. However, it admitted that Ernst & Young had some minor findings, although it did not elaborate.

*Fuji* was the first bank to disclose its class two loans – those with a potential risk of becoming bad loans, although some observers were concerned that Fuji's doubtful loans were actually higher than officially disclosed.

# Yasuda in pensions alliance

Yasuda Fire and Marine, Japan's second largest property and casualty insurer, and Cigna International, the US insurance and financial services group, plan to form a joint securities company to market defined-contribution pension products in Japan, writes Naoko Nakamae in Tokyo.

The two groups, which have formed alliances in the past, will each have a 50 per cent stake in the new company, which is expected to start business next autumn.

However, reforms to Japan's pension regulations, which would allow the use of US-style defined-contribution plans, are not expected to be implemented until 2000, which means the new company would start its life as an information-provider.

It is hoped the joint venture will take advantage of Cigna's systems capability as well as its experience in the 401k market in the US, once Japan's pension market is liberalised. Yasuda, which would become the first non-life insurer to enter this market, said the new company *would not confine itself to* selling investment products from Cigna- and Yasuda-affiliated companies.

The new company's name is yet to be decided.

# Nice deal, shame about the timing

*Jardine Matheson deal may further erode confidence in Hong Kong, says* **Louise Lucas**

Timing has never been one of Jardine Matheson's *strong points*. The Hong Kong-based conglomerate, or *hong*, reached beyond Asia in the early 1990s and ended up making a loss on Trafalgar House, the UK construction and engineering company.

Nursing its wounds, it redirected its attention to Asia – just in time for markets and economies there to begin unravelling in 1997.

The latest deal, which sees *the hong replace* its 50 per cent holding in Jardine Fleming, its erstwhile investment-banking joint venture, with \$40m (\$66.4m) and a stake of 10.7 per cent in Robert Fleming, which becomes *Jardine Fleming's sole parent*, seems equally ill-timed.

"It's not a bad deal, but it should have been done two years ago," says John Godfray, director at Dresdner Kleinwort Benson. "Now they seem to be selling out at the bottom of the market with their usual bad timing." *If it is poor timing for* Jardine Matheson, it is atrocious timing for Hong Kong. The territory is in recession, confidence is fading and debts are rising.

*It is* doubly sensitive to any signs of waning confi*dence by investors*, and China, which has long been distrustful of Jardine Matheson, may well interpret the deal as more than the "logical strategic move" described by Alasdair Morri*son, managing director.*

Friction with Beijing has its roots in the opium wars at the time of Hong Kong's colonisation. More recently, Jardine Matheson has incurred Beijing's wrath for *switching its domicile* and listings from Hong Kong to Bermuda, triggering a massive sell-off on the stock market.

Beijing has shown its displeasure: when a Jardine-led *consortium won the right to* develop Hong Kong's ninth container terminal in 1992, it was blocked by Beijing.

The sale of what has become one of the biggest home-grown investment banks – albeit while remaining a shareholder in the bigger, unified operation – could be taken as a negative signal. "There's always that risk with Jardine Matheson's history," said one analyst.

What is not open to dispute is that Jardine Matheson has posted a warning for an endangered species: wholly Asia-based investment banks. Several Hong Kong houses have been absorbed by international names in the past three years: Crosby, now part of SG; Asia Equity, bought by Paribas; and HG Asia, taken over by ABN Amro.

*The beginning of this year* saw the collapse of Peregrine, the investment bank which, like Jardine Fleming, built a pan-Asian franchise that dwarfed the efforts of most international investment banks in Hong Kong in the early 1990s.

But now the stage belongs broadly to the big US and European investment banks. "The surviving leaders in this business, as we go through this period of consolidation, are going to be those that have large capital bases and broad global distribution," says Stephen Stonefield, chairman Pacific region at CSFB.

Mr Morrison agrees. "Increasingly, financial markets are global . . . this way, Jardine Fleming is better placed to service clients in a very competitive and very *global business.*"

Ultimately, and despite Jardine Fleming's protests to the contrary, bankers expect some of the functions to migrate to Robert Fleming, and to see a waning influence from Jardine Matheson.

Nor is a new pretender to Jardine Fleming's crown likely to emerge in Hong Kong. "The opportunity to be a stand-alone, to be another Peregrine starting up and making it? Forget it," laughs a banker.

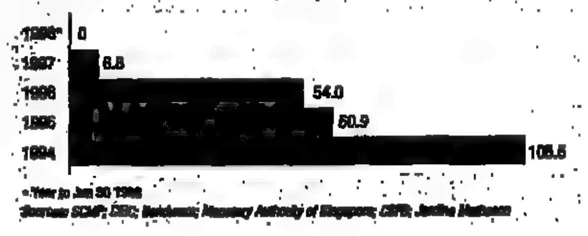
**The Asian decline**

Secondary stock market

| Average monthly turnover (US\$m) | 1996 | 97 | 98 (to Nov) |
|---|---|---|---|
| Hong Kong | 15,218 | 40,761 | 17,318 |
| Thailand | 3,982 | 2,449 | 1,581 |
| Singapore | 5,252 | 6,398 | 4,872 |

Jardine Fleming

Profit after tax and outside interest (US\$m)



* Year to Jun 30 1998

Sources: SCMP; DBC; [illegible]; Monetary Authority of Singapore; CSFB; Jardine Matheson

# Hyundai to rejig main car activities

By John Burton in Seoul

Hyundai, South Korea's largest conglomerate, is to consolidate its main car units after the chairman of Hyundai Motor, the nation's biggest carmaker, was demoted in a surprise boardroom coup.

Chung Mong-koo, group co-chairman and eldest son of the Hyundai founder, yesterday demoted his cousin, Chung Mong-gyu, to vice-chairman and assumed leadership of the conglomerate's car operations. The move comes two days after Hyundai completed its takeover of the insolvent Kia Motors.

It reflected competition between the sons and nephews of Chung Ju-yung, Hyundai's retired founder, as they divide the group into corporate fiefdoms, with Hyundai Motor considered one of the biggest prizes.

Chung Mong-koo, who also heads the construction and steel units, will oversee Hyundai Motor and Kia Motors, which will remain a separate company after absorbing its commercial vehicle division, Asia Motors, and other Kia units.

Hyundai Motor will expand by absorbing the group's listed car sales unit, Hyundai Motor Service, and the sports-utility vehicle division of Hyundai Precision Industry.

Analysts said the reorganisation was the first step in rationalising operations by cutting overcapacity through consolidation.

Hyundai hopes to attract *foreign* investment once the consolidation process is completed and has mentioned Ford Motor of the US, the biggest shareholder in Kia until its takeover by Hyundai, as a potential investor. But Ford has indicated it is not interested in investing in Kia.

Hyundai Motor won an auction for Kia in October, beating Ford and the Korean carmakers Daewoo and Samsung, at a cost of nearly Won8,000bn (\$6.5bn).

## NEWS DIGEST

**SEMICONDUCTORS**

### Toshiba, Fujitsu unveil chip joint venture

Toshiba and Fujitsu plan to develop advanced-generation chips in the first joint venture by two Japanese semiconductor manufacturers. Fujitsu, Japan's fourth largest chipmaker, and Toshiba, the country's second largest, will set up a joint project team with an initial budget of Y30bn (\$249bn) to develop ultra-high-density 0.13-micron process technology for 1-gigabit generation dynamic random access memory chips.

Japanese chip-makers have previously linked with foreign manufacturers to pool technologies and decrease capital spending. Toshiba, for example, has joined up with IBM and Siemens in developing 256-megabit D-Rams, the generation of chips that preceded the 1-gigabit technology it will develop with Fujitsu.

The latest agreement highlights the growing pressures on semiconductor manufacturers, hit by a sharp fall in memory prices and the escalating costs of developing next-generation technologies. Prices of 64-megabit D-Rams have plummeted 70 per cent in the past year, forcing Japanese groups into restructuring and plant closures abroad. **Michiyo Nakamoto, Tokyo**

**INTERNET**

### China group in foreign link-up

China Internet Information Centre, a content provider backed by the State Council, and GTE, the US telecommunications and internet company, yesterday signed the first co-operation agreement in Internet-related businesses between a foreign company and a Chinese group. Under the agreement, GTE will disseminate information in the US supplied by CIIC,
and will provide training for CIIC personnel in web site design, operation and input in the US. The value of the deal was not disclosed.
**James Kynge, Beijing**

**POWER**

### Kepco staff cuts continue

Korea Electric Power Corp, South Korea's state-owned utility, said yesterday it has so far laid off 9.5 per cent or 3,765 of its employees this year as part of its restructuring efforts. "Such figures exceed our original plan of laying off 2,699 employees this year," said Kepco.

The group plans to cut its workforce by 6,234, or 16 per cent, by 2001. It also plans to reduce the number of divisions and departments by 30 per cent this year, cut wages by 4.1 per cent and other expenditures by 10 per cent.

Kepco shares yesterday fell Won700 to Won22,900.

Earlier this year, the Planning and Budget Commission said it would sell part of the government's 58.2 per cent stake in the monopoly electricity company during the second half of this year. It also said it would sell four of Kepco's thermal electric power plants next year.
**AP-DJ, Seoul**

*Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com*

# GUS chairman follows up bid complaint

By Peggy Hollinger and Charles Pretzlik

Lord Wolfson, the chairman of Great Universal Stores, is preparing to call on the UK government to review the autonomy of the Takeover Panel.

He said he expected to appeal to the Department of Trade and Industry next week if the panel did not reply to his complaints about trading statements made during GUS's hostile bid for Argos, the catalogue retailer. "I think two to three weeks is long enough to consider it," he said, referring to the written complaint sent 10 days ago to Sir David Calcutt, the panel's chairman.

This was Lord Wolfson's latest attempt to reverse the panel's earlier decision that Argos directors had not breached the Takeover Code by failing to reveal a slowdown in the company's Dutch stores.

His comments came as GUS reported a sharp drop in interim profits and its shares suffered a second day of weakness.

The group reported pre-tax profits of £190.3m ($314m) before exceptionals, against £244.5m last time for the six months to September 30. Sales were up from £1.5bn to £2.4bn, reflecting the acquisitions of Argos, and a US consumer credit information operation, Metromail.

The shares tumbled 4 per cent to 549p yesterday, on top of an 8 per cent decline on Wednesday.

The market had expected lower profits, due to the acquisition costs, but analysts still made sharp reductions in annual profit expectations. Some cut back from as high as £580m to a low of £492m, more than £80m less than last year's pre-exceptional level.

They cited worries over slowing growth and falling margins in the financial information business, Experian, and the general malaise in UK high street spending that has prompted profit warnings from several retailers.

However, Lord Wolfson was puzzled by the UK market's reaction to the results. "Where is this cataclysm coming from?" he asked.

Apart from Burberrys, the upmarket clothing retailer which suffered a £17.9m interim operating profit decline to just £2m, "the rest of the business does not appear to be that badly off", he said.

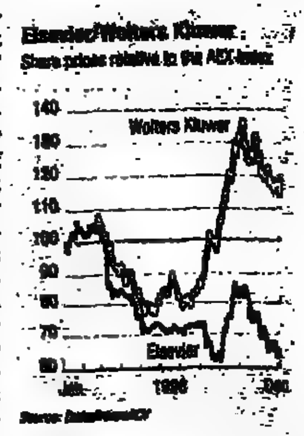
Experian, which delivered underlying interim sales growth of 9 per cent against 16 per cent last time, was held back by costs from acquisitions and consolidation in the US banking sector which buys Experian's consumer credit reports.

However, Lord Wolfson said he was confident that Experian's growth would recover to double digit levels.

The dividend was increased by 3 per cent to 6.2p, on earnings down from 16.9p to 13.7p.

## COMMENT

### Reed Elsevier



Hello, is anyone home? Yesterday's Reed Elsevier profit warning confirmed investors' fears of incipient management drift at the Anglo-Dutch media group. Halfway through a complex reform of its old dual management structure, Reed Elsevier lacks leadership just as deteriorating trading conditions are making it essential. Pending the appointment of a chief executive to replace the two acting ones and the arrival of new chairman Morris Tabaksblatt of Unilever, it is hard to see whose hand is on the tiller. Given this uninventable muddle at the top, it is surprising things are not even worse. Pre-tax profits for 1998 will be 6 per cent down on the year. The trouble is that there is little reason to expect much improvement in 1999. So much for Reed Elsevier's high-growth characteristics, then? Not entirely. Investment in the transition to online and electronic distribution platforms continues apace. The temptation to rein back must have been great. The benefits of this commitment to the group's publishing franchise should feed through in the medium term.

Still, the range of Reed Elsevier's current problems, from depressed subscription and exhibition revenues in Asia to falling advertising revenues in US and European business publishing, is alarming. Repairing its underperformance against the more defensive Wolters Kluwer will require a move from management committee to committed management.

### Great Universal Stores

Christmas is coming, says Lord Wolfson. Unfortunately for GUS's chairman, the scrooge spirit has taken hold of retail investors. After gloomy news from so many other retailers they are easily spooked by such uninspiring results, but in GUS's case the reaction looks overdone. It should not be a great surprise that like-for-like sales at Argos have fallen by 4 per cent in the past two months, given the chilly retail climate. Concerns over a fall in Experian's sales growth from 16 per cent to 9 per cent also overlook the one-off impact of integrating Metromail into the consumer credit business. However, whether GUS's shares become a bargain in the January sales depends on the next month's trading. The shares may not recover until the new year.

# Corporate warnings bring icy chill to market forecasts

Share prices have fallen along with profits in 1998 but nobody really knows whether the trend is over, says **Maggie Urry**

Hardly a trading day has passed in the past few weeks without a profit warning from a big company. The trickle of warnings in the early autumn has become a spate that has swept away forecasts for earnings growth from the totality of UK quoted companies this year.

Rising corporate profits are one of the most powerful forces that push stock markets higher. As expectations of improving earnings erode, market strategists expect share prices to come under further pressure.

Arcadia, the retail group which warned on Wednesday of declining sales, was not alone in suffering a share price drop of more than 25 per cent on the day of its announcement. Such falls are beginning to have an impact on the level of the market. And there will be more to come.

Yesterday brought another brace of profits warnings, from Reed Elsevier and London International Group.

Meanwhile the Confederation of British Industry expressed its concern for the UK economy, saying the risks of recession were rising, while the outlook for retailers was gloomy.

Companies are required to publish what they often euphemistically describe as "trading statements" or "updates" when directors consider that market expectations for profits are significantly out of line with their own view of the outcome.

The proportion of downgrades among all changes to profit forecasts has risen sharply this year, according to CSFB, and is now at a rate not seen since 1992, when the UK economy was emerging from the last recession.

The message of the recent stream of warnings is that analysts of UK stocks have seriously underestimated the impact on company profits of the Asian and Russian economic troubles, and of the fall in domestic consumer confidence. Warnings this week have highlighted both.

Most prolific, though, have been warnings from the retail sector, where Marks and Spencer set the tone in October by referring to a "bloodbath" in clothing sales, to be followed by Storehouse, Arcadia and others, in warning of falling sales and heavy discounting.

But as one retail analyst conceded after the Arcadia warning, the real surprise is that anyone was surprised, given the poor trading figures published by the British Retail Consortium and the John Lewis group, showing that UK consumers have become much more wary.

Bob Semple, equity market analyst at BT Alex Brown, says: "The spate of warnings will continue for the next few months. Nobody knows quite how bad the economy is."

When the year began, he says, the broking firm's forecasts suggested UK corporate earnings would rise by 10 per cent this year. Now, he says, the forecast shows an earnings decline of 2 per cent for the market. "Profit warnings have killed this year's numbers."

Similarly, Richard Kersley, market strategist at CSFB, reckons earnings from the market as a whole will fall 5 per cent in 1998. He points out that poor results are expected from banks – Barclays confirmed that with its profit forecast a week ago – and from oil companies and also from pharmaceutical groups.

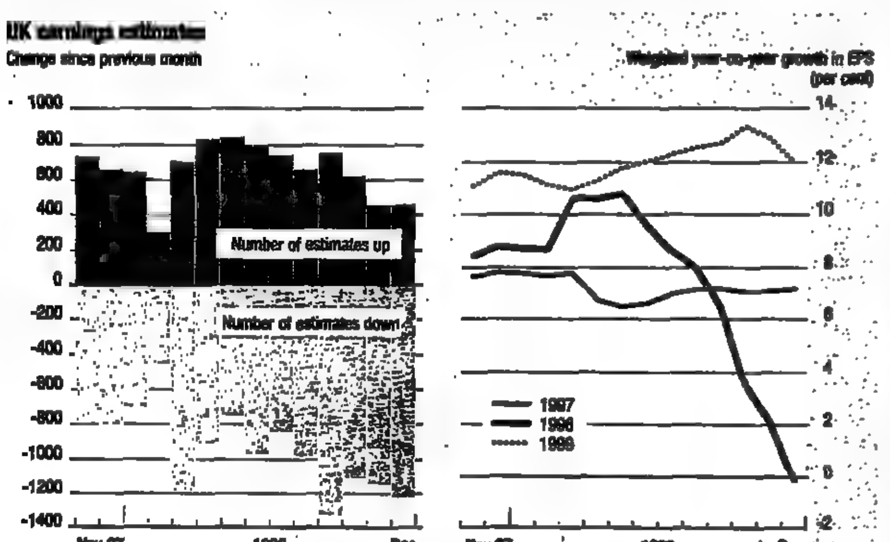
These three sectors make up a sizeable part of the market's capitalisation, and when they are under pressure, the market cannot do well, Mr Kersley says.

The burning question is over profit forecasts for 1999. While expectations for 1998 earnings growth have slipped, hopes for 1999 have remained high.

According to The Estimate Directory, which aggregates analysts' consensus earnings forecasts, while predictions for 1998 have fallen away, those for 1999 have remained steady, forecasting growth of 12 per cent.

Mr Kersley says: "The issue is how bad it turns out to be next year." He believes the second half of 1998 and the first half of 1999 will reflect the most difficult 12 months for the corporate sector. After that, the effect of expected interest rate cuts should begin to revive the economy.

While the market is still assuming double digit earnings growth in 1999, Mr Kersley is predicting flat earnings for next year, as is Mr Semple. He says "no one is quite prepared to bite the bullet" on 1999 forecasts. But both fear that if they have to, the market must inevitably fall.



# GEC says Marconi arm is not on the market

By Alexander Nicoll

General Electric Company yesterday moved to quash speculation that it would divest its Marconi Communications arm, saying it saw telecommunications as a fast-growing core business.

"Marconi Communications is not for sale", said Lord Simpson, managing director, reporting a sharp rise in operating profits in the telecommunications arm which it formed this year after buying out for £700m ($1.16bn) the 40 per cent share of GPT held by Siemens.

He announced a voluntary redundancy scheme to cut 1,000 jobs at Marconi Communications, saying this was part of an effort by GEC to "move up the technology ladder". Marconi Electronic Systems, the defence arm, lost 500 jobs in the first half of this financial year and plans a further reduction of 500 in the second half.

Lord Simpson said 8,000 people had left the group over the past year but 6,000 had been hired as GEC sought to take on more software engineers and get out of low value-added manufacturing.

A lift to operating margins helped by restructuring was a feature of its results for the half year to September 30. GEC reported pre-tax profits of £1.39bn, sharply ahead of last time's £415m.

The figure included £965m of exceptional net gains on disposals, principally its sale of 26 per cent of Alstom, the former joint venture with Alcatel of France.

The company said that before exceptional items, goodwill amortisation and disposals, operating profit rose 21 per cent to £358m.

Turnover excluding disposals was up 9 per cent to £3.35bn (£3.07bn), and the order book rose 15 per cent to £11.3bn partly as a result of the acquisition of Tracor, a US defence electronics company.

John Mayo, finance director, said the operating margin had risen to 10.7 per cent from a "dismal" 7.6 per cent a year before. The sale of the Alstom stake was responsible for nearly half the increase.

On a like-for-like basis, Marconi Electronic Systems showed 8 per cent growth in operating profits to £165m, 2 per cent growth in sales to £1.6bn, and a 13 per cent increase in its order book to £8.65bn. Marconi Communications had a 21 per cent rise in operating profit to £105m and 6 per cent sales growth to £822m.

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# Shares in LIG drop 30% after warning

By Virginia Marsh

Shares in London International Group, the maker of rubber gloves and Durex condoms, fell 30 per cent yesterday after the company revealed that sales of lower-margin medical examination gloves had unexpectedly dropped.

The shares fell 57p to 130½p, their lowest point since early 1996.

Nick Hodges, chief executive, warned that profits in the year to March 1999 would not match last year's partly because of a sharper than expected downturn in sales of standard examination gloves. This had been caused by increased competition from south-east Asian producers and overcapacity.

Analysts cut full-year pre-tax profits, some by as much as 20 per cent. SG Securities is now expecting £38m ($63m) down from £44.8m before exceptionals – compared with a restated £39.2m, before exceptionals, for 1997-98 – putting the shares on a prospective p/e of 16.

LIG made an interim pre-tax loss of £7.9m (£9.2m profit) in the six months to September after exceptional costs of £15m for the closure of its Italian condom manufacturing plant and the restructuring of the health and beauty business.

Sales were £143.5m (£155.6m).

Part of the fall resulted from a relaunch in the US where it has started selling condoms under the Durex name which is replacing six other brands.

# Halifax rules out a bank merger

By Christopher Brown-Humes

Halifax has ruled out a merger with a clearing bank, in spite of intense speculation it is seeking a tie-up with Barclays.

The former building society, which yesterday unveiled a sweeping internal reorganisation, is understood to have decided there are insufficient benefits from combining the different types of branch network.

It has concluded a merger between a mortgage bank and a clearer might fail to produce anything like the expected synergies. James Crosby, incoming chief executive at Halifax, yesterday declined to comment on the bank's strategy.

But Halifax believes mortgage banks are not as overbranched as clearers and have many more customers per branch. Moreover, they are based on different types of customer and function, with mortgage banks primarily serving savings customers.

The decision to rule out a clearing bank merger, together with Halifax's stated desire to diversify away from its core mortgage and savings business, may increase speculation about a possible tie-up between it and a life insurance group, such as Prudential or Norwich Union. Halifax has estimated surplus capital of £3bn to £4bn ($6.6bn) which it has been under pressure to spend since it joined the stock market 18 months ago.

Mr Crosby, in his first move to stamp his authority on the organisation he will head from January, said the reorganisation was designed to improve distribution and customer focus. At group level, operations will be divided into five areas: distribution; retail financial services; Clerical Medical; treasury; and group.

# RBS tops £1bn despite Asia

By Clay Harris and Christopher Brown-Humes

Royal Bank of Scotland yesterday became the first Scottish company to report more than £1bn ($1.65bn) of pre-tax profit, lifting its full-year result 32 per cent in spite of Asian provisions.

RBS made exceptional provisions of £146m relating to Asian loans, mainly in Indonesia, where 60 per cent of its portfolio was "semi-performing" or non-performing. Excluding the Asian items, provisions for bad debts rose to £200m (£146m).

Profits grew in almost every activity. An exception was a deeper loss of £52m (£35m) in new retail businesses, largely reflecting heavy spending on building Tesco Personal Finance, which now has 700,000 customers. It lost £35m against £11m in the previous year. Virgin Direct lost £13m in its first year, but the RBS Advanta credit-card business achieved a maiden profit of £7m (£2m loss).

Viscount Younger, chairman, said RBS was counting on the high quality of earnings from its UK retail network and Citizens Financial, its New England retail bank.

The UK bank raised profits by 15 per cent to £680m (£591m). George Mathewson, group chief executive, said RBS had seen no signs of increased bad debts in its UK loan book, but remained wary. The US bank lifted profits before exceptionals to £247m (£189m).

Mr Mathewson said: "It's very important that we should be able to face where the business is rather than where the business was." After Birmingham Midshires jilted RBS in favour of Halifax, he said: "We don't need an acquisition. It might be attractive to us, but we don't need an acquisition to grow our business."

# Bass doubles hotel spending

By John Willman and Elizabeth Robinson

Bass is to more than double spending on its hotels business from £185m to £400m ($660m) after better-than-expected results from its hospitality division helped it achieve profits at the top end of expectations.

Second-half profit from Inter-Continental Hotels, the luxury chain acquired for £1.77bn in March, rose a third from $86m to $116m with significant growth in the US, UK and France. Bass said cost savings and benefits from merging Inter-Continental with the rest of its hotel operation were being realised ahead of schedule.

Underlying pre-tax profits for the year to September 30 fell 7 per cent from £714m to £661m. Comments that trading in the UK pubs and brewing businesses had recovered "somewhat" since a downturn in the summer which led to an autumn profits warning helped the shares advance 17p to 830p.

Pre-tax profits rose 75 per cent from £477m to £834m, with £173m of exceptional gains against £237m exceptional losses last time.

The gains included £250m of profit on the disposal of Gala bingo halls, Coral betting shops and the leased pubs business – partly offset by £77m reorganisation costs and a £10m restructuring charge.

Turnover was down 12 per cent at £4.61bn, largely reflecting discontinued operations. On continuing operations, it rose 7 per cent, with operating profit up 8 per cent.

## RESULTS

| | | Turnover (£m) | | Pre-tax profit (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Abbeycrest | 6 mths to Aug 31 | 26.1 | (25.2) | 0.61 | (0.31) | 1.8 | (0.9) | 1.6 | Jan 11 | 1.5 | - | 4.5 |
| Airsprung Furniture | 6 mths to Sept 30 | 40.7 | (41.7) | 6.121L♠ | (1.62) | 25.86L | (4.04) | 1.95 | Jan 29 | 1.05 | - | 7.38 |
| AIT | 6 mths to Sept 30 | 8.43 | (8.72) | 1.28 | (0.958) | 4.17† | (3.33) | 0.83 | Jan 6 | - | - | 2 |
| Aertech Intl ♦ | 6 mths to Sept 30 | 1.25 | (0.936) | 0.275L | (0.234L) | 1.4L† | (1.4L) | - | | - | - | - |
| Avon Rubber | Yr to Oct 3 | 267.1 | (290.6) | 23.9♥ | (26.4♥) | 62.4 | (70.8) | 16.2¤ | Jan 29 | 15¤ | 22.6¤¤ | 21.15¤¤ |
| Bass | Yr to Sept 30 | 4,609 | (5,254) | 834♥ | (477♠) | 78.3# | (28.2) | 20.9 | Feb 8 | 19.2 | 30 | 27.5 |
| Border Television | 6 mths to Oct 31 | 9.46 | (7.78) | 0.18♠ | (0.822♠) | 1.1 | (5.2) | 2.7 | Apr 6 | 2.7 | - | 7.7 |
| Castings | 6 mths to Sept 30 | 32.9 | (30.8) | 5.79 | (4.71) | 9.18 | (7.58) | 2.02 | Jan 16 | 1.88 | - | 5.85 |
| CCM Distribution ♦ | Yr to Sept 30 ☆ | 22.4 | (22.5) | 1.36 | (1.93) | 0.98 | (0.82) | - | | - | - | - |
| Dee Valley | 6 mths to Sept 30 | 10.3 | (9.51) | 4.85 | (4.86) | 25.54 | (24.42) | 7.2 | Jan 5 | 6.6 | - | 19.8 |
| Denby | Yr to Sept 30 | 35.4 | (36.5) | 3.22♠ | (6.63) | 4.4 | (13.5) | 3.25 | Jan 22 | 3 | 4.95 | 4.55 |
| Dewhurst | Yr to Sept 27 | 16.2 | (17) | 1.64 | (1.2) | 10.42 | (7.27) | 2.1 | Mar 1 | 1.92 | 3.15 | 2.88 |
| Expro Intl | 6 mths to Sept 30 | 76.1 | (61.6) | 10.1 | (10) | 11.1† | (11.7) | 3.4 | Jan 29 | 3.05 | - | 9.15 |
| GEC | 6 mths to Sept 30 | 3,352 | (3,317) | 1,393♥ | (415) | 40.4# | (9.3) | 4.2 | Apr 6 | 3.43 | - | 11.43 |
| GUS | 6 mths to Sept 30 | 2,353 | (1,505) | 176.1♠ | (261.1♥) | 12.7 | (17.8) | 6.2 | Feb 1 | 6 | - | 20 |
| Greencore ‡ | Yr to Sept 25 | 592.1 | (488.9) | 58.2 | (49.7♠) | 25.7 | (22.4) | 5.65 | Feb 15 | 5.1 | 8.5 | 7.7 |
| Hartstone | 6 mths to Sept 30 | 59.4 | (56.7) | 4.51 | (34.5L♠) | 1.39 | (10.9L) | - ☆ | - | 0.16 | - | 0.16 |
| Kalamazoo Computer | 6 mths to Sept 30 | 32 | (33.8) | 0.55L | (0.514L♥) | 1.14L† | (1L) | nil | - | nil | - | nil |
| London Intl | 6 mths to Sept 30★ | 143.5 | (155.6) | 7.9L♠ | (9.2) | 2.84L | (1.65) | 0.9¤ | Feb 24 | 0.8¤ | - | 3.2¤¤ |
| Mid Kent Hldgs | 6 mths to Sept 30 | 22.8 | (21.4) | 9.07 | (8.37) | 44.5 | (39) | 14.77 | Apr 8 | 13.2 | - | 33 |
| MS Intl | 6 mths to Oct 31 | 18.6 | (17.3) | 0.522 | (0.2) | 1.2 | (0.4) | 0.25 | Feb 6 | 0.1 | - | 0.75 |
| Planit | 6 mths to Oct 31 | 4.51 | (2.94) | 0.659 | (0.05L♥) | 0.7† | (0.1) | - | - | - | - | - |
| Raphael Zorn ♦ | Yr to Sept 30 | 9.15 | (7.14) | 2.81 | (1.45) | 12.4† | (8.5) | 3 | Jan 20 | 2.5 | 3 | 2.5 |
| Royal Bank Scotland | Yr to Sept 30 | - | (-) | 1,001 | (760) | 73.4† | (55.4) | 17.47 | Feb 19 | 15.2 | 24.8 | 21.4 |
| Sira Business ♦ | 6 mths to Oct 31 | 6.9 | (5.16) | 0.442 | (0.43) | 0.134† | (0.133) | 0.0375 | Dec 24 | 0.0337 | - | 0.069 |
| Stakis | Yr to Sept 27 | 359.1 | (307) | 69.4♠ | (56) | 7.36 | (6.58) | 1.75 | Apr 8 | 1.45 | 3 | 2.5 |
| Tandem | 6 mths to Aug 2 | 17.6 | (20.8) | 1.011L♠ | (0.21♠) | 1.11L | (0.25L) | - | - | - | - | - |
| VideoLogic | 6 mths to Sept 30 | 4.16 | (5.46) | 0.378L | (2.93L♠) | 0.2L | (1.9L) | - | - | - | - | - |
| Wace | 6 mths to Sept 30 | - | (-) | 3.18 | (1.71) | 4.64 | (3.61) | 1 | Jan 12 | - | - | 1.4§ |

| Investment Trusts | | NAV (p) | | Attributable Earnings (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Aim Distribution | 6 mths to Sept 30 | 114.5 | (108.3) | 0.297 | (0.318) | 1.77 | (1.95) | 1.8 | Dec 31 | 1.8 | - | 3.8 |
| Close Bros Aim VCT | 9 mths to Aug 31 | 94.4 | (-) | 0.191 | (-) | 1.9 | (-) | 1.5 | Jan 8 | - | - | - |

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital following ACT abolition. ♦Aim stock. ¤Foreign income dividend. ¤¤Includes FID element. #On reduced capital. ☆Pro forma. ‡Irish currency. ★Comparatives restated. ☆Interim to be paid. §Excludes special.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Prices for Trading on 04.12.98 / Final Prices for Trading on 03.11.98

| ½ hour period ending | Pool purchase price £/MWh | Pool purchase price £/MWh | Pool selling price £/MWh | Tli use of system price £/MWh |
|---|---|---|---|---|
| 0030 | 23.80 | 15.22 | 15.53 | 0.96 |
| 0100 | [illegible] | [illegible] | [illegible] | [illegible] |
| 0130 | [illegible] | [illegible] | [illegible] | [illegible] |
| 0200 | [illegible] | [illegible] | [illegible] | [illegible] |
| 0230 | [illegible] | [illegible] | [illegible] | [illegible] |
| 0300 | [illegible] | [illegible] | [illegible] | [illegible] |
| 0330 | [illegible] | [illegible] | [illegible] | [illegible] |
| 0400 | [illegible] | [illegible] | [illegible] | [illegible] |
| 0430 | [illegible] | [illegible] | [illegible] | [illegible] |
| 0500 | [illegible] | [illegible] | [illegible] | [illegible] |
| 0530 | [illegible] | [illegible] | [illegible] | [illegible] |
| 0600 | [illegible] | [illegible] | [illegible] | [illegible] |
| 0630 | [illegible] | [illegible] | [illegible] | [illegible] |
| 0700 | [illegible] | [illegible] | [illegible] | [illegible] |
| 0730 | [illegible] | [illegible] | [illegible] | [illegible] |
| 0800 | [illegible] | [illegible] | [illegible] | [illegible] |
| 0830 | [illegible] | [illegible] | [illegible] | [illegible] |
| 0900 | [illegible] | [illegible] | [illegible] | [illegible] |
| 0930 | [illegible] | [illegible] | [illegible] | [illegible] |
| 1000 | [illegible] | [illegible] | [illegible] | [illegible] |
| 1030 | [illegible] | [illegible] | [illegible] | [illegible] |
| 1100 | [illegible] | [illegible] | [illegible] | [illegible] |
| 1130 | [illegible] | [illegible] | [illegible] | [illegible] |
| 1200 | [illegible] | [illegible] | [illegible] | [illegible] |
| 1230 | [illegible] | [illegible] | [illegible] | [illegible] |
| 1300 | [illegible] | [illegible] | [illegible] | [illegible] |
| 1330 | [illegible] | [illegible] | [illegible] | [illegible] |
| 1400 | [illegible] | [illegible] | [illegible] | [illegible] |
| 1430 | [illegible] | [illegible] | [illegible] | [illegible] |
| 1500 | [illegible] | [illegible] | [illegible] | [illegible] |
| 1530 | [illegible] | [illegible] | [illegible] | [illegible] |
| 1600 | [illegible] | [illegible] | [illegible] | [illegible] |
| 1630 | [illegible] | [illegible] | [illegible] | [illegible] |
| 1700 | [illegible] | [illegible] | [illegible] | [illegible] |
| 1730 | [illegible] | [illegible] | [illegible] | [illegible] |
| 1800 | [illegible] | [illegible] | [illegible] | [illegible] |
| 1830 | [illegible] | [illegible] | [illegible] | [illegible] |
| 1900 | [illegible] | [illegible] | [illegible] | [illegible] |
| 1930 | [illegible] | [illegible] | [illegible] | [illegible] |
| 2000 | [illegible] | [illegible] | [illegible] | [illegible] |
| 2030 | [illegible] | [illegible] | [illegible] | [illegible] |
| 2100 | [illegible] | [illegible] | [illegible] | [illegible] |
| 2130 | [illegible] | [illegible] | [illegible] | [illegible] |
| 2200 | [illegible] | [illegible] | [illegible] | [illegible] |
| 2230 | [illegible] | [illegible] | [illegible] | [illegible] |
| 2300 | [illegible] | [illegible] | [illegible] | [illegible] |
| 2330 | [illegible] | [illegible] | [illegible] | [illegible] |
| 2400 | [illegible] | [illegible] | [illegible] | [illegible] |

[illegible]

EQUITIES

# Euro-zone rates move in tandem

## EUROPEAN OVERVIEW

By Philip Coggan, Markets Editor

The wave of European interest rate cuts transformed the session for stock markets and allowed equities to pull out of the downward spiral that had seemed to set in earlier in the week.

All the participants in the single currency opted to reduce rates as the Bundesbank and Bank of France unveiled a cut of 30 basis points in the repo rate to 3 per cent at lunchtime press conferences. Only Italy, which dropped to 3.5 per cent, is not in line with core rates.

The move, which came as a surprise in terms of timing if not scale, provoked mixed reactions among analysts with some seeing it as a bow to political pressure and others viewing it as a necessary response to recent indications of economic slowdown. Surveys of manufacturing industry earlier this week showed a picture of decline across the continent.

Philippe Brossard, head of research at ABN Amro, said "It's a response to the economic problems which are developing, with inflation disappearing and the risk of deflation. Technically, the central banks preferred to act before the start of the euro – it's easier with existing money markets and systems."

Richard Davidson, European strategist at Morgan Stanley Dean Witter, felt that the cut could easily be followed by one or two more reductions in the first quarter of 1999.

Bond markets were not quite as enthusiastic as equities. While short-term bonds rallied, long-term issues lost early gains and finished down on the day in Germany and France.

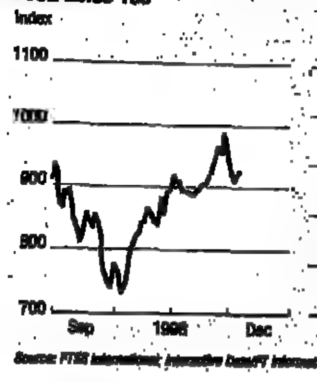
The trans-European stock markets were much more buoyant, turning an early 1 per cent plus loss into a similar-sized gain.

The key benchmark in this case was the FTSE Ebloc 100, which only includes stocks in the single currency zone. It rose 14.14, or 1.6 per cent to 925.24. There were more muted gains of 1 per cent or 25.10 to 2,559.68 in the FTSE Eurotop 100 and of 12.85 to 1,109.46 in the broader Eurotop 300.

Only a weak opening on Wall Street probably prevented bigger rises although midcap stocks were less impressed than blue chips.

FTSE Ebloc 100

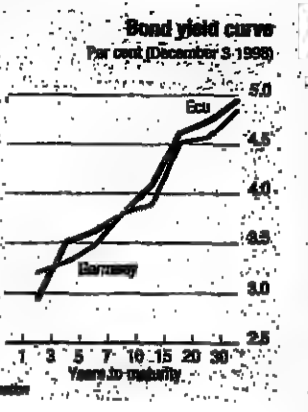
Index



Source: FTSE International; Interactive Data/FT Information

Bond yield curve

Per cent (December 3 1998)



■ THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Mar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Jun | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sep | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

■ THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

[illegible]

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Mar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

[illegible]

## OTHER INDICES

| | | | | | | |
|---|---|---|---|---|---|---|
| DJ Stoxx 50 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| DJ Euro Stx 50 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| MSCI Europa | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Source: Datastream/FT Information.

## FTSE Actuaries Share Indices — European series

| Dec 3 National & Regional Markets | Ecu Index | Day's % | change points | Yield gross % | xd adj ytd | Total retn (Ecu) |
|---|---|---|---|---|---|---|
| FTSE Eurotop 300 | 1109.46 | +1.17 | +12.85 | 2.48 | 24.96 | 1141.85 |
| FTSE Eurotop 100 | 2559.68 | +0.99 | +25.10 | 2.50 | 38.81 | 917.07 |
| FTSE Ebloc 100 | 925.24 | +1.55 | +14.14 | 2.29 | 14.94 | 939.07 |
| FTSE EuroMid | 1088.60 | -0.35 | -3.85 | 3.89 | [illegible] | 1127.72 |
| FTSE EuroMid Ebloc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 1153.29 |
| FTSE EuroMid Ex UK | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 1166.56 |
| FTSE Eurotop 300 Regions | | | | | | |
| Eurobloc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 1186.80 |
| UK | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 1070.71 |
| Europe Ex-Eurobloc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 1104.15 |
| Europe Ex-UK | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 1177.09 |
| FTSE Eurotop Industry Sectors | | | | | | |
| RESOURCES | 819.50 | -1.08 | -8.96 | 3.48 | 29.22 | 856.97 |
| Extractive Industries | 754.45 | +0.45 | +3.41 | 4.58 | 14.54 | 770.38 |
| Oil, Integrated | 790.98 | -1.15 | -9.20 | 3.43 | 31.73 | 810.11 |
| GENERAL INDUSTRIES | 1012.08 | +1.04 | +10.40 | 2.72 | 21.28 | 1033.46 |
| Construction | 886.59 | +2.05 | +17.77 | [illegible] | 11.06 | 896.90 |
| Building Matls & Merchs | 860.71 | +0.99 | +8.40 | 2.80 | 8.66 | 868.15 |
| Chemicals | 820.31 | +2.24 | +17.95 | 2.95 | 17.45 | 834.79 |
| Diversified Industrials | 898.95 | +0.78 | +6.98 | 2.84 | 22.81 | 917.47 |
| Electronic & Elect Equip | 810.98 | +0.85 | +6.81 | 1.82 | [illegible] | 815.92 |
| Engineering | 827.27 | +1.78 | +14.48 | 4.02 | 12.32 | 837.98 |
| Paper, Pckg & Printing | 772.89 | -0.55 | -4.25 | 3.01 | 1.21 | 773.79 |
| CONSUMER GOODS | 1142.15 | +1.18 | +13.34 | 1.84 | 18.33 | 1173.36 |
| Automobiles | 852.36 | -0.07 | -0.63 | 2.68 | 10.26 | 860.28 |
| Alcoholic Beverages | 850.16 | -1.30 | -11.36 | 3.09 | 17.63 | 878.55 |
| Food Producers | 923.17 | +1.47 | +13.34 | 1.85 | 11.84 | 934.02 |
| Household Goods & Textls | 1018.00 | +4.71 | +45.53 | 1.87 | 8.84 | 1021.74 |
| Healthcare | 863.09 | +3.44 | +28.39 | 1.38 | 13.51 | 865.85 |
| Pharmaceuticals | 1023.31 | +1.05 | +10.44 | 1.38 | 8.27 | 1028.87 |
| Tobacco | 1378.31 | +0.32 | +4.03 | [illegible] | 18.88 | 1395.88 |
| SERVICES | 1118.50 | +1.36 | +15.01 | 2.11 | 23.04 | 1149.73 |
| Distribution | 725.85 | -1.98 | -14.65 | 2.98 | 11.37 | 743.81 |
| Leisure & Hotels | 762.81 | +2.44 | +18.10 | 3.35 | 12.27 | 772.79 |
| Media | 937.58 | +0.64 | +5.92 | 2.35 | 10.68 | 947.57 |
| Retailers, Food | 983.73 | -0.56 | -5.50 | 2.08 | 16.09 | 898.76 |
| Retailers, General | 924.97 | +1.28 | +11.65 | 3.37 | 20.48 | 944.04 |
| Telecommunications | 1058.01 | +1.71 | +17.81 | 1.85 | 13.52 | 1071.36 |
| Breweries, Pubs & Rests | 778.36 | +1.60 | +12.29 | 3.42 | 18.00 | 792.15 |
| Support Services | 921.37 | +2.31 | +20.77 | 1.58 | 9.87 | 931.14 |
| Transport | 942.38 | +1.89 | +18.07 | 2.81 | 18.24 | 959.78 |
| Information Technology | 873.69 | +2.91 | +24.67 | 0.42 | 2.33 | 875.71 |
| UTILITIES | [illegible] | +1.50 | +21.30 | 3.08 | 60.30 | 1524.73 |
| Electricity | 1080.16 | +1.39 | +14.81 | 3.24 | 30.43 | 1113.23 |
| Gas Distribution | [illegible] | +2.32 | +27.20 | 1.64 | 93.32 | [illegible] |
| Water | 1007.05 | +0.53 | +5.32 | 6.02 | 44.83 | 1051.57 |
| FINANCIALS | 1194.45 | +1.56 | +18.37 | 2.75 | 27.88 | 1226.67 |
| Banks,Retail | 822.24 | +1.66 | +13.47 | 3.55 | 10.20 | 832.52 |
| Insurance | 832.18 | +1.60 | +13.80 | 1.49 | 11.79 | 843.44 |
| Life Insurance | 1107.82 | +2.57 | +27.75 | 1.78 | 12.88 | 1122.00 |
| Other Financial | 840.75 | [illegible] | +6.66 | 2.29 | 15.65 | 854.79 |
| Investment Companies | 980.75 | +0.08 | +0.77 | 2.72 | 20.65 | 988.52 |
| Property | 668.31 | -1.13 | -7.50 | 3.74 | 21.26 | 678.42 |

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## FTSE EUROTOP 300

| Name | Price (Ecu) | Chge +/- | Mkt cap (Ecu bn) | Vol (m) | Yld |
|---|---|---|---|---|---|
| ALCOHOLIC BEVERAGES | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| AUTOMOBILES | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BANKS RETAIL | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BREWERIES, PUBS & RESTAURANTS | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BUILDING MATERIALS & MERCHANTS | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| CHEMICALS | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| CONSTRUCTION | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| DISTRIBUTORS | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| DIVERSIFIED INDUSTRIALS | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| ELECTRICITY | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| ELECTRONIC & ELECTRICAL EQPT. | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| ENGINEERING | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| EXTRACTIVE INDUSTRIES | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FOOD PRODUCERS | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| GAS DISTRIBUTION | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| HEALTH CARE | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| HOUSEHOLD GOODS & TEXTILES | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| INFORMATION TECHNOLOGY | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| INSURANCE | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| INVESTMENT COMPANIES | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| LEISURE & HOTELS | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| LIFE INSURANCE | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| MEDIA | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| OIL, INTEGRATED | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| OTHER FINANCIAL | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| PAPER PACKAGING & PRINTING | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| PHARMACEUTICALS | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| PROPERTY | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| RETAILERS, FOOD | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| RETAILERS, GENERAL | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| SUPPORT SERVICES | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| TELECOMMUNICATIONS | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| TOBACCO | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| TRANSPORT | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| WATER | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Price data and market capitalisation supplied by FT Interactive Data. Market capitalisation figures are based on shares used in index calculations. [illegible]

## CURRENCIES & MONEY

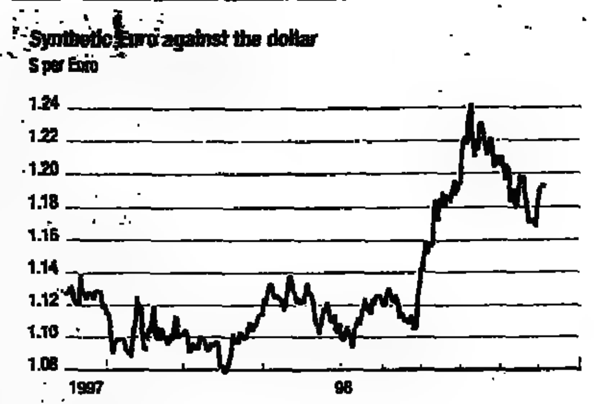
### FT SYNTHETIC EURO RATES

| Dec 03 | Currency code | Closing mid point | Change on day | Change on day % | Change on week | Change week % |
|---|---|---|---|---|---|---|
| Europe | | | | | | |
| Austria | ATS | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Belgium | BEF | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Czech Republic | CZK | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Denmark | DKK | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Finland | FIM | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| France | FRF | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Germany | DEM | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Greece | GRD | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Hungary | HUF | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Ireland | IEP | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Italy | ITL | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Luxembourg | LUF | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Netherlands | NLG | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Norway | NOK | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Poland | PLN | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Portugal | PTE | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Romania | ROL | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Russia | RUB | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Slovakia | SKK | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Spain | ESP | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sweden | SEK | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Switzerland | CHF | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| United Kingdom | GBP | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| ECU | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Americas | | | | | | |
| Brazil | BRL | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Canada | CAD | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Mexico | MXN | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| United States | USD | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Pacific/Middle East/Africa | | | | | | |
| Australia | AUD | 1.910348 | +0.0237 | +1.26 | [illegible] | +4.37 |
| Hong Kong | HKD | 9.240865 | -0.0027 | [illegible] | +0.1703 | [illegible] |
| Japan | JPY | 141.668548 | -2.1770 | -1.51 | -1.1724 | -0.82 |
| Singapore | SGD | 1.962482 | [illegible] | -0.17 | [illegible] | [illegible] |
| South Africa | ZAR | 6.842208 | +0.0927 | +1.37 | +0.1887 | +2.84 |

Source: FTSE International Ltd. This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying SDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends. Currency weightings as follows: DEM 0.3364, FRF 0.2217, ITL 0.1823, NLG 0.0577, BEF 0.0388, ESP 0.0648, IEP 0.0116, PTE 0.0155, ATS 0.0326, FIM 0.0187.

Synthetic Euro against the dollar

$ per Euro



Source: FTSE International

### EUROZONE CURRENCY CONVERGENCE

Bilateral conversion rates against the D-Mark

| Dec 03 | Fixed rate | Market rate | Diff bid v rate % | Week ago % | Forward rate | Forward int rate | Diff int rate v DEM |
|---|---|---|---|---|---|---|---|
| Austria | 7.03552 | 7.0358 | +0.00 | +0.00 | 7.0362 | 3.6 | +0.12 |
| Belgium | 20.6255 | 20.626 | +0.00 | +0.04 | 20.6244 | 3.38 | -0.11 |
| France | 3.35386 | 3.3534 | [illegible] | -0.03 | 3.3529 | 3.29 | -0.20 |
| Finland | 3.04001 | 3.0404 | +0.01 | +0.01 | 3.0405 | 3.53 | +0.04 |
| Ireland | 0.402676 | 0.4018 | -0.22 | [illegible] | 0.4018 | 3.49 | +0.01 |
| Italy | 990.002 | 990.1738 | +0.02 | +0.00 | 990.263 | 3.61 | +0.13 |
| Luxembourg | 20.6255 | 20.626 | +0.00 | +0.04 | 20.6244 | 3.38 | -0.11 |
| Netherlands | 1.12674 | 1.1269 | +0.01 | +0.08 | 1.1267 | 3.25 | -0.24 |
| Portugal | 102.505 | 102.4043 | -0.10 | [illegible] | 102.3975 | 3.4 | -0.09 |
| Spain | 85.0722 | 84.971 | -0.12 | -0.02 | 84.9683 | 3.44 | -0.04 |
| Germany | 1 | | +0.00 | +0.00 | | 3.485 | +0.00 |

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2/3; forward rates are exchange rates to 31/12/98 interpolated from market quotes; forward interest rates are those implied by these forward exchange rates; Diff int rates v DEM are differences between implied forward interest rates and the DEM forward interest rate for 31/12/98; DEM forward interest rate for 31/12/98 is calculated by interpolation between published BBA market fixings.

## BONDS

### INTEREST RATE SWAPS

| Dec 03 | D-Mark Bid | D-Mark Ask | Ecu Bid | Ecu Ask | £ Stlg Bid | £ Stlg Ask | US $ Bid | US $ Ask | Yen Bid | Yen Ask |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 year | 3.30 | 3.33 | 3.34 | 3.38 | 0.00 | 0.00 | 4.90 | 4.93 | 0.43 | 0.46 |
| 2 year | 3.35 | 3.38 | 3.36 | 3.40 | 5.77 | 5.81 | 4.91 | [illegible] | 0.51 | 0.54 |
| 3 year | 3.44 | 3.47 | 3.44 | [illegible] | 5.71 | 5.75 | 4.98 | [illegible] | 0.62 | 0.65 |
| 4 year | 3.57 | 3.60 | 3.57 | 3.61 | 5.69 | 5.73 | 5.04 | 5.07 | 0.74 | 0.77 |
| 5 year | 3.72 | 3.75 | 3.72 | 3.76 | 5.66 | 5.70 | 5.10 | 5.13 | [illegible] | [illegible] |
| 6 year | [illegible] | 3.91 | 3.88 | 3.92 | 5.61 | 5.65 | 5.16 | 5.19 | 1.01 | 1.04 |
| 7 year | 4.03 | 4.06 | [illegible] | 4.07 | 5.57 | 5.61 | 5.22 | 5.25 | [illegible] | 1.16 |
| 8 year | 4.17 | 4.20 | 4.17 | 4.21 | 5.54 | 5.58 | 5.28 | 5.31 | 1.26 | 1.29 |
| 9 year | 4.28 | 4.31 | [illegible] | 4.32 | 5.53 | [illegible] | 5.33 | 5.36 | 1.37 | 1.40 |
| 10 year | 4.36 | 4.39 | 4.36 | 4.40 | 5.52 | 5.56 | 5.39 | 5.42 | 1.48 | 1.51 |
| 12 year | Error | | | | | | | | | |
| | 2007 | 4.63 | 4.50 | 4.54 | 5.48 | 5.84 | 5.48 | 5.51 | 1.70 | 1.74 |
| 15 year | 4.69 | 4.72 | 4.69 | 4.73 | 5.45 | 5.51 | 5.58 | 5.61 | 1.95 | 1.99 |
| 20 year | 4.89 | 4.92 | 4.89 | 4.93 | 5.43 | 5.50 | 5.67 | 5.70 | 2.15 | 2.20 |
| 25 year | 5.01 | 5.04 | 5.01 | 5.05 | 5.42 | 5.48 | 5.67 | 5.70 | 2.22 | 2.27 |
| 30 year | 5.08 | 5.11 | 5.08 | 5.12 | 5.40 | 5.48 | 5.67 | 5.70 | 2.28 | 2.33 |

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months LIBOR. £ and Yen quoted on a semi-annual actual/365 basis against 6 months LIBOR. D-mark and Ecu quoted on annual bond 30/360 basis against 6 month LIBOR with the exception of the 1 year rate which is quoted against 3 months LIBOR. Source: Intercapital Brokers Ltd.

### EUROZONE CORPORATE BONDS

| Dec 03 | Red date | Coupon | S & P Rating | Bid price | Bid yld | Day's chge yld | Mth's chge yld | Spread v Ecu |
|---|---|---|---|---|---|---|---|---|
| Sovereign Fungible issues | | | | | | | | |
| Belgium (Kingdom of) | 03/08 | 5.750 | N/A | 112.050 | 4.10 | -0.02 | -0.17 | +0.08 |
| France (Rep of) | 04/08 | 5.250 | AAA | 109.640 | 3.99 | +0.01 | -0.24 | -0.11 |
| Italy (Rep of) | 05/08 | 5.000 | AA | 106.560 | 4.15 | [illegible] | [illegible] | +0.05 |
| Portugal (Rep of) | 06/08 | [illegible] | AA- | 108.380 | 4.29 | +0.02 | -0.22 | +0.19 |
| Euro issues | | | | | | | | |
| Abbey Natl Treas Srv | 02/03 | 4.875 | AA | 104.380 | 3.73 | -0.03 | -0.16 | +0.11 |
| Gen Electric Cap Crp | 10/04 | 5.500 | AAA | 108.530 | 3.82 | +0.01 | -0.17 | +0.19 |
| Oest Kontrollbank | 04/08 | 5.250 | AAA | 107.640 | 4.24 | +0.02 | -0.25 | +0.14 |
| Cred Local de France | 04/08 | 5.250 | AA+ | 108.190 | 4.43 | +0.02 | -0.32 | +0.35 |
| Ecu issues | | | | | | | | |
| Bayer Hypo & Wcb Bk | 07/01 | 5.000 | AA- | [illegible] | 3.45 | -0.04 | -0.40 | -0.08 |
| Cred Foncier France | 03/04 | 8.375 | A | 119.254 | 4.22 | -0.02 | -0.22 | +0.55 |
| Euro Inv Bank | 04/04 | 6.250 | AAA | 107.780 | 3.82 | +0.00 | [illegible] | -0.04 |
| ABN Amro Hldg. NV | 04/07 | 5.375 | AA- | 111.879 | [illegible] | +0.02 | -0.24 | +0.67 |

Source: Interactive Data/FT Information. London closing. Fungible bonds issued in tranches by Emu "in" sovereigns and fungible into one big Euro issue 1/1/99; Euro issues are issued in the new currency; Ecu bonds are issued in Ecus but convert to Euros 1/1/99.

### GOVERNMENT BOND SPREADS vs ECU

| Dec 03 | 2 yrs | 5 yrs | 7 yrs | 10 yrs | 20 yrs | 30 yrs |
|---|---|---|---|---|---|---|
| "Ins" | | | | | | |
| Austria | -0.06 | +0.07 | +0.22 | +0.04 | -0.36 | +0.18 |
| Belgium | -0.10 | +0.00 | +0.12 | +0.12 | +0.05 | +0.13 |
| Finland | -0.11 | +0.13 | +0.21 | +0.13 | -0.51 | -0.72 |
| France | -0.18 | -0.10 | -0.11 | -0.10 | -0.12 | -0.10 |
| Germany | -0.16 | -0.14 | +0.01 | -0.21 | -0.17 | -0.10 |
| Ireland | +0.00 | -0.11 | [illegible] | +0.07 | +0.04 | +0.43 |
| Italy | -0.01 | +0.05 | +0.09 | +0.12 | +0.13 | +0.18 |
| Luxembourg | -0.10 | +0.00 | +0.12 | +0.12 | +0.05 | +0.13 |
| Netherlands | -0.11 | -0.02 | +0.05 | -0.07 | +0.00 | -0.10 |
| Portugal | +0.03 | +0.21 | +0.25 | +0.16 | +0.29 | +0.22 |
| Spain | -0.22 | -0.03 | +0.17 | +0.19 | +0.08 | +0.17 |
| "Outs" | | | | | | |
| Denmark | +0.49 | +0.43 | +0.36 | +0.21 | -0.06 | +0.66 |
| Greece | +6.49 | +5.00 | +4.10 | +3.33 | +2.88 | +2.36 |
| Sweden | +0.19 | +0.23 | +0.32 | [illegible] | [illegible] | -0.12 |
| UK | +1.88 | +0.94 | +0.68 | +0.54 | -0.12 | -0.52 |

Source: Interactive Data/FT Information. Table takes common convention constant maturity treasury yield curves for each currency and compares to the constant maturity Ecu curve to calculate a spread.

### EUROZONE CREDIT SPREADS vs ECU

| Dec 03 | S & P rating | Red date | Coupon | Currency code | Spread | Spread wk ago | Spread mth ago |
|---|---|---|---|---|---|---|---|
| KFW | AAA | 01/08 | 5.000 | DEM | +0.07 | +0.14 | +0.15 |
| France Telecom | AA+ | 11/06 | 6.250 | FRF | +0.27 | +0.21 | [illegible] |
| Helaba | AA | 07/07 | 5.625 | DEM | +0.39 | +0.34 | +0.42 |
| Ing Bank NV | AA- | 01/08 | 5.500 | NLG | [illegible] | +0.32 | +0.18 |
| Bayer Hypo W Bk | AA- | 02/02 | 6.750 | ITL | +0.24 | +0.24 | +0.26 |
| Cred Foncier | A | 02/03 | 7.250 | DEM | +0.66 | +0.58 | +0.58 |
| Thomson-Brandt Int | A- | 03/04 | 6.375 | FRF | +0.52 | +0.51 | +0.49 |
| Generale des Eaux | N/A | 03/04 | 6.250 | FRF | +0.42 | +0.41 | +0.38 |
| Bank of China | BBB | 07/08 | 7.125 | DEM | +1.98 | +1.68 | +2.25 |
| Natl Bk of Hungary | [illegible] | 06/01 | 9.000 | [illegible] | +1.03 | +0.83 | +1.12 |
| Korea Dev Bank | BB+ | 11/02 | 5.625 | FRF | +5.84 | +5.65 | +6.38 |
| Argentina | BB | 04/08 | 8.125 | XEU | +5.69 | +5.34 | +5.58 |

Source: Interactive Data/FT Information. Table shows yield spreads to the Ecu curve for issues of a broadly representative credit in each rating band denominated in Euro "in" currencies.

# Mixed response to European rate cuts

**GOVERNMENT BONDS**

By Arkady Ostrovsky in London and John Labate in New York

European markets were caught off-guard by yesterday's move by 11 euro-zone countries to cut their interest rates, and gave the decision a mixed response.

The co-ordinated rate cuts were led by France and Germany and leave Italy, which reduced its rate to 3.5 per cent, as the only European Monetary Union member with rates higher than 3 per cent.

Observers interpreted the move as the first interest rate cut by the European Central Bank rather than the last cut by the Bundesbank.

The ECB had been expected to ease at its meeting on December 22, and yesterday's move was seen as smoothing the way for the launch of the euro on January 1.

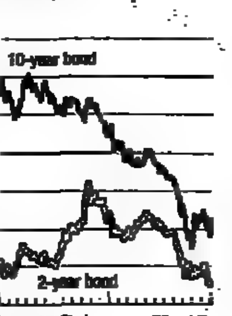
Hans Tietmeyer, president of the Bundesbank, said that the cuts reflected economic conditions and were intended to reduce speculation about the ECB's interest rate policy during the first months of the euro.

"If we had maintained the 3.30 per cent rate, then the question would remain open as to how long the ECB would be able to stick with this rate," Mr Tietmeyer said.

The timing of the cut also impressed. "It shows that the ECB will take on another characteristic of the Bundesbank: the capacity to surprise," said Mark Cliffe, chief economist at ING Barings.

"This may be one reason why Mr Duisenberg is so keen to maintain a degree of secrecy around the ECB meeting since it helps to launch this kind of surprises," Mr Cliffe said.

German bond yields
Percentage points



Source: Datastream/ICV

The rate cuts had the most immediate impact on equity markets, which rose sharply, but they also gave a boost to the short end of the European yield curve, and the spread between two-year and 10-year bunds rose, steepening the yield curve, as longer-dated stocks were sold off.

The December bund future fell 0.27 to 114.62 while the yield on two-year bunds had fallen 11 basis points late yesterday to 3.21 per cent.

However, analysts suggested the long end of the market could stage a delayed rally as investors realised the rate cut was a strong signal that the outlook for economic growth in Europe, especially in manufacturing, was gloomy.

The ECB said it intended to maintain the 3 per cent rate for the foreseeable future. Short-term interest rate futures contracts for March and June 1999 imply interest rates of 3.1 per cent and trade in very heavy volumes but some economists said the "foreseeable future" may not be far off.

The ECB's move will almost certainly prompt the Bank of England to cut UK base rates by at least 25 basis points and perhaps up to 50 basis points when it monetary policy committee next week.

The March contract on the 10-year benchmark gilt rose 0.06 to close at 117.51.

Emerging market bonds were hit by the failure of the Brazilian parliament to pass a tax amendment to the country's pension reform.

Jose Luis Daza at J.P. Morgan in New York said the markets were also weighing falling oil prices, which were forcing governments to trim budgets according to the fluctuating oil price.

The EMBI index of emerging markets showed that the cumulative spread of emerging paper over US Treasuries widened by 40 basis points to 1130.

US Treasuries traded in a narrow range on concern about Brazil and after the European rate cuts.

By early afternoon the 30-year bond was $\frac{1}{32}$ higher at 103$\frac{25}{32}$, yielding 5.013 per cent. The two-year note was up $\frac{1}{32}$ to 100$\frac{11}{32}$, yielding 4.343 per cent and the 10-year note was $\frac{1}{32}$ higher at 101$\frac{1}{32}$, yielding 4.568 per cent.

Today, the monthly labour report will be released, with analysts expecting it to show a further slowing in economic activity. The consensus expectation is for payrolls in November to be 160,000 higher.

"If the [payroll] number comes in strong, between 230,000 and 250,0000 or higher, we could see the market selling off, but I don't think it will come off strongly," said Richard Gilhooly at Paribas in New York.

# Polish telecoms group in $1bn market debut

**INTERNATIONAL BONDS**

By Khozem Merchant

Telekomunikacja Polska, Poland's state-owned telecoms company, yesterday issued a debut bond totalling $1bn, the largest ever corporate offering from a central European borrower.

The two-tranche bond comprised a five-year $200m portion, priced to yield 285 basis points over the relevant US Treasury, and a 10-year $800m offering, priced to yield 325 basis points over. Both tightened in secondary trading by five basis points.

The issue was sold to about 100 accounts, with 70 per cent taken up by the target investor base in the US. European investors favoured the shorter-dated tranche.

The deal followed of TPSA's initial public offering last month, which valued the company at $6.2bn.

There had been concern that the rejection of a key component of Brazil's fiscal reform package by its congress would affect sentiment towards any emerging market offerings. (China was marketing its proposed $500m bond yesterday.)

However, Richard Luddington at J.P. Morgan, joint lead book-runner with Salomon Smith Barney, said: "The combination of positive news on Poland and the fact that this was from the telecoms sectors outweighed the impact of Brazil. On another day, a more modest issue might have been hit by the general nervousness surrounding emerging market securities."

Proceeds will go towards TPSA's domestic investment programme of $4.5bn over the next two years. The issue coincided with Moody's changing Poland's sovereign rating outlook from stable to positive.

DSL, a German public sector bank, returned to the market with a five-year E1bn bond. About 75 per cent of the issue was sold last night, with Asian institutional investors accounting for about a third of distribution.

Bankers say retail investors are likely to absorb the rest, with more strong buying expected overnight from east Asia. The response in Germany and France was disappointing.

The issue was priced to yield 15 basis points over the Ecu-OAT yield curve and traded at the reoffer. It was jointly led by ABN AMRO, Deutsche Bank and Nomura.

Freddie Mac, the US home loans company, offered a $3bn bond, a quarter of which was bought by Japanese investors. US buyers bought about half the issue.

The bond was priced to yield 46 basis points over the relevant US Treasuries and traded unchanged in the secondary market.

Spie SA, a French construction, engineering and electrical company, made its debut euro issue, offering a E80m bond that was almost entirely bought by domestic investors. The five-year floating-rate note was priced to yield three-month euro-Libor plus 200 basis points and traded at the re-offer.

## New international bond issues

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book-runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| Freddie Mac★#(u) | 3bn | 4.750 | 99.840R | Dec 2001 | 0.75R | +45(4½%Nov00) | Bear St/Merrill/MSDW |
| Freddie Mac(b) | 750 | 5.580 | 100.00R | Dec 2003 | 0.25R | +128½(4¼ 03) | CSFB/JP Morgan |
| TPSA Class A | 200 | 7.125 | 99.752R | Dec 2003 | 0.60R | +285(4Nov03) | JP Morgan/Salomon SB |
| TPSA Class B | 800 | 7.750 | 99.282R | Dec 2008 | 0.65R | +325(4¾ 08) | JP Morgan/Salomon SB |
| Ericsson LM Telefon | 300 | 6.125 | 99.185R | Dec 2003 | 0.30R | +95(4¼Nov03) | Salomon Smith Barney |
| **EUROS** | | | | | | | |
| DSL Bank(e) | 1bn | 3.625 | 99.693R | Mar 2004 | 0.25R | +15§ | ABN Amro |
| SPIE SA‡ | 80 | (b) | 100.00R | Jan 2004 | 0.575R | - | Credit Lyonnais/Merrill |
| **SWISS FRANCS** | | | | | | | |
| John Hancock Glbl Fdng | 250(c) | 3.750 | 102.20R | Dec 2008 | 0.20R | +25§ | CSFB |
| **NEW ZEALAND DOLLARS** | | | | | | | |
| Deutsche Bank Australia | 100 | 6.00 | 99.240R | Jan 2003 | 0.15R | - | Deutsche Bank/RBC DS |
| **GREEK DRACHMA** | | | | | | | |
| Norddeutsche LB | 15bn | 7.750 | 99.975R | Dec 2001 | 0.125R | - | National Bank of Greece |

Final terms, non-callable unless stated. Yield spread (over relevant gvt bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Callable Dec 99 at par. b) 3-mth libor +200bp. c) Fungible with SFr500m plus 22 days accrued interest. e) Payments in Ecu prior to Emu. Spread relates to French govt Ecu bonds. § Over interpolated yield. § Long 1st coupon. § Short last coupon s) Short 1st coupon.

**NEWS DIGEST**

**SYNDICATED LOANS**

## Ashanti Goldfields signs $270m revolving facility

Ashanti Gold Fields of Ghana has signed a $270m revolving credit facility through a syndicate led by Chase Manhattan on terms Mark Keatley, Ashanti's chief financial officer, said contain no "African premium" but match those offered to big UK corporations or leading US and Canadian gold producers.

Also, although conditions in the syndicated loan market are the worst Mr Keatley can remember since the 1982 Mexican crisis, the deal was oversubscribed by $20m – the original amount required was $250m.

The new facility will be used partly to repay the outstanding $150m balance of Ashanti's 1995 revolving facility arranged by Barclays de Zoete Wedd, which had two years to run. Apart from offering lower interest rates, an average of 83 basis points over Libor compared with 105 points for the Barclays' facility, the new terms are more flexible. Mr Keatley said: "The Barclays' revolver had a few restrictive elements. This marks Ashanti's full maturity to a top tier player in international finance markets."

Some 21 banks took part in the syndicate. The facility will be distributed in two tranches: a 364-day tranche and one of five years. The 364-day tranche is renewable annually at the banks' option and is for $95m at 70 basis points over Libor The five-year tranche is at 90 basis points over Libor.

Mr Keatley said Ashanti will use the balance after repaying the outstanding element of the Barclays' facility to finance the Geita gold project in Tanzania, Ashanti's seventh mine, on which construction is scheduled to start early in 1999, and to provide additional corporate liquidity.

Kenneth Gooding

**DERIVATIVES**

## CBOT extends electronic trading

The Chicago Broad of Trade is to open "daytime" electronic trading of its key Treasury bond-related products an hour earlier from Monday December 7. Trading via its Project A system will start at 5.30am central standard time.

The exchange introduced daytime electronic trading of Treasury products – alongside its traditional, pit-based "open outcry" execution method – in September. The move was triggered by a potential competitive threat from the new Cantor Financial Futures Exchange, which was based on an electronic trade matching system.

The latter has subsequently done very little business, but by end-November CBOT had seen about 350,000 contracts traded under the new "daytime" electronic arrangements – although these volumes are still very modest compared with pit-based trading. In November, for example, "daytime" trading of the Treasury-related products on CBOT's Project A electronic system totalled 103,208 contracts, while pit-based volume reached 12.1m contracts.

Nikki Tait, Chicago

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| Dec 3 | Red Date | Coupon | Bid Price | Bid Yield | Day chg yield | Wk chg yield | Month chg yld | Year chg yld |
|---|---|---|---|---|---|---|---|---|
| Australia | 01/01 | 6.750 | 106.6613 | 4.38 | -0.06 | -0.28 | -0.47 | -0.84 |
| | 08/08 | 6.750 | 130.4862 | 4.78 | -0.07 | -0.37 | -0.31 | -1.30 |
| Austria | 07/00 | 5.875 | 104.0500 | 3.23 | -0.11 | -0.25 | -0.30 | -1.20 |
| | 01/08 | 5.000 | 106.3300 | 4.15 | - | -0.08 | -0.21 | -1.36 |
| Belgium | 01/00 | 4.000 | 100.8500 | 3.21 | -0.10 | -0.14 | -0.27 | -1.07 |
| [illegible] | | | | | | | | |

### BOND FUTURES AND OPTIONS

**France**

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 111.49 | 111.27 | 0.80 | 111.59 | 111.11 | 66,869 | 63,914 |

[illegible]

**Ecu**

ECU BOND FUTURES (MATIF) ECU100,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 108.72 | 108.70 | +0.06 | 108.72 | 108.72 | 20 | 250 |

### US CORPORATE BONDS

[illegible]

### US INTEREST RATES

[illegible]

### INTERNATIONAL BONDS

| Dec 3 | Red date | Coupon | S & P Rating | Bid price | Bid yld | Day's chge yld | Mth's chge yld | Spread v Govts |
|---|---|---|---|---|---|---|---|---|
| **EURO DM** | | | | | | | | |
| EIB | 02/07 | 5.750 | AAA | 111.0440 | 4.13 | -0.02 | -0.17 | +0.16 |
| Spain | 01/07 | 5.750 | AA | 110.4698 | 4.19 | +0.01 | -0.16 | +0.24 |
| Philip Morris | 03/04 | 5.375 | A | 104.9000 | 4.31 | -0.04 | -0.22 | +0.62 |
| [illegible] | | | | | | | | |

### 10 YEAR BENCHMARK SPREADS

[illegible]

### EMERGING MARKET BONDS

[illegible]

### UK BONDS

FTSE Actuaries Government Securities

UK Indices

[illegible]

### UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

# Euroland springs surprise rate cuts

**MARKETS REPORT**

By Alan Beattie

Euroland central banks cut interest rates to 3 per cent almost across the board yesterday and the European Central Bank indicated that this would be the starting repo rate for the euro.

Tension mounted early in the European trading session as the Banque de France and the Bundesbank both announced surprise press conferences to be held at 1pm London time after their respective meetings.

And swelling rumours that their announcements would be more than routine were fulfilled when both central banks cut interest rates by 30 basis points.

They were shortly followed by the central banks of all euroland countries, who reduced their key intervention rates to 3 per cent, with the exception of Italy who sliced 50 basis points off the repo rate but left it at 3.5 per cent with another half point cut still to do.

But although the move was largely unexpected, the D-Mark performed well on the day. After a sharp blip down against the dollar it recovered to close only slightly down at DM1.674, barely lower than DM1.678 on Wednesday.

The shock waves from the European interest rate earthquake also shook sterling, which finished down against the dollar after the monetary loosening in Europe joined rising fears of a domestic recession in raising expectations of a further interest cut at the Bank of England's monetary policy committee (MPC) meeting next week.

By the end of trading in London yesterday the pound had fallen to $1.664 against the dollar and had barely risen on the day against the D-Mark, closing at DM2.785.

■ Most market analysts thought the cut reflected mainly domestic economic considerations and that the only real surprise in the move was in its timing.

"The markets thought that the ECB would be too busy with preparations to consider a core rate cut," said Paul Meggyesi, currency strategist at Deutsche Bank in London.

"But with weakening growth in Europe and no threat from inflation, the move itself is not surprising," he added.

Thomas Mayer, economist at Goldman Sachs in Frankfurt, said that the move would take pressure off the ECB at the beginning of next year when it is breaking in the new monetary regime.

"It is designed to clear the air for a while," he added.

The good performance of the D-Mark and its satellite currencies despite the interest rate cuts may have reflected a belief that they did not signal looser monetary policy far into the future.

Prices on Euro D-Mark futures rose across the strip, but the rises were much higher at the short end.

"There hasn't really been a dramatic drop in expectations of interest rates going a long way forward," said Mr Meggyesi.

■ Sterling's weakness came amid firming expectations that the MPC would cut rates by 25 basis points at their next meeting on December 9-10.

Short sterling contracts rose across the strip, with the December 1998 contract settling 14 basis points up at 93.410, implying interbank interest rates of 6.59 per cent in December.

Given the traditional spread of the interbank interest rate over the repo rate, this suggests that the market expects a cut of at least 25 basis points from the current 6.75 per cent at the December meeting.

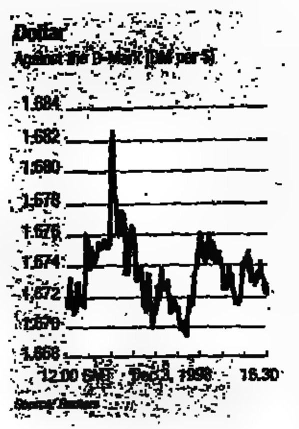
Around half the rise in short sterling came after the UK purchasing managers' survey for the service sector suggested a contraction for the first time since the survey began in 1996. The rest followed the interest rate cuts in Europe.

"The MPC said it was in no hurry to cut rates again," said Philip Shaw, chief economist at Investec in London. "But survey evidence like this must suggest to them that the downside risks to output are materialising."

Mr Shaw pointed out that unlike the rise in D-Mark interest rate futures, short sterling contracts had shown an almost uniform increase out to eighteen months. "This shows that there has been a substantial reassessment of the prospects for growth in 1999," he said.

**Dollar**

Against the D-Mark (DM per $)



Source: Reuters

### ■ POUND IN NEW YORK

| Dec 3 | —Latest— | —Prev. close— |
|---|---|---|
| £ spot | 1.6655 | 1.6650 |
| 1 mth | 1.6638 | 1.6642 |
| 3 mth | 1.6597 | 1.6601 |
| 1 yr | 1.6499 | 1.6484 |

### ■ OTHER CURRENCIES

| Dec 3 | £ | $ |
|---|---|---|
| Czech Rep | 50.1418 - 50.2255 | 30.1450 - 30.1550 |
| Hungary | 354.073 - 354.498 | 212.850 - 212.950 |
| Iran | 4992.50 - 4999.90 | 3000.00 - 3000.60 |
| Kuwait | 0.5037 - 0.5051 | 0.3025 - 0.3028 |
| Peru | 5.2377 - 5.2472 | 3.1480 - 3.1530 |
| Poland | 5.7607 - 5.7685 | 3.4610 - 3.4650 |
| Russia | 31.0607 - 31.4564 | 18.9500 - 21.1500 |
| U.A.E. | 6.1090 - 6.1128 | 3.6726 - 3.6731 |

## POUND SPOT FORWARD AGAINST THE POUND

| Dec 3 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | Day's Mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 19.5962 | +0.0447 | 888 - 035 | 19.7627 | 19.5286 | 19.5441 | 3.2 | 19.4428 | 3.1 | 19.0926 | 2.8 | 103.5 |
| Belgium | (BFr) | 57.4493 | +0.1232 | 005 - 981 | 57.9030 | 57.1670 | 57.2861 | 3.4 | 56.9597 | 3.2 | 55.961 | 2.6 | 103.6 |
| Denmark | (DKr) | 10.5891 | +0.0243 | 829 - 953 | 10.6491 | 10.5555 | 10.557 | 2.5 | 10.5205 | 2.6 | 10.38 | 2.0 | 107.5 |
| Finland | (FM) | 8.4685 | +0.0206 | 620 - 749 | 8.5369 | 8.4400 | 8.4454 | 3.3 | 8.4003 | 3.2 | 8.2524 | 2.6 | 83.0 |
| France | (FFr) | 9.3402 | +0.0218 | 368 - 436 | 9.4153 | 9.3094 | 9.3131 | 3.5 | 9.2645 | 3.2 | 9.0984 | 2.6 | 107.2 |
| Germany | (DM) | 2.7853 | +0.0065 | 840 - 865 | 2.8093 | 2.7744 | 2.7776 | 3.3 | 2.7633 | 3.2 | 2.7134 | 2.6 | 103.2 |
| Greece | (Dr) | 466.421 | +1.163 | 186 - 655 | 472.671 | 465.710 | 470.249 | -4.7 | 473.241 | -4.1 | 485.026 | -4.0 | 62.0 |
| Ireland | (I£) | 1.1191 | +0.0008 | 177 - 205 | 1.1258 | 1.1170 | 1.116 | 3.3 | 1.1102 | 3.2 | 1.0901 | 2.6 | 96.8 |
| Italy | (L) | 2757.92 | +0.33 | [illegible] | 2761.06 | 2747.84 | 2750.82 | 3.2 | 2736.2 | 3.2 | 2687.57 | 2.6 | 76.4 |
| Luxembourg | (LFr) | 57.4493 | +0.1232 | 005 - 981 | 57.9030 | 57.1670 | 57.2861 | 3.4 | 56.9597 | 3.2 | 55.961 | 2.6 | 103.6 |
| Netherlands | (Fl) | 3.1369 | +0.007 | 375 - 400 | 3.1652 | 3.1287 | 3.1294 | 3.6 | 3.1134 | 3.2 | 3.057 | 2.6 | 103.2 |
| Norway | (NKr) | 12.3768 | +0.027 | 691 - 841 | 12.4734 | 12.3205 | 12.3855 | -1.8 | 12.4198 | -1.4 | 12.4725 | -0.8 | 93.4 |
| Portugal | (Es) | 285.223 | +0.725 | 022 - 427 | 286.859 | 284.600 | 284.419 | 3.4 | 282.921 | 3.2 | 277.385 | 2.8 | 92.8 |
| Spain | (Pta) | 236.850 | +0.158 | 821 - 818 | 238.430 | 235.900 | 236.009 | 3.3 | 234.805 | 3.1 | 230.569 | 2.6 | 77.5 |
| Sweden | (SKr) | 13.3845 | -0.0158 | 730 - 961 | 13.5328 | 13.3539 | 13.3488 | 3.2 | 13.2808 | 3.1 | 13.0778 | 2.3 | 79.5 |
| Switzerland | (SFr) | 2.2794 | +0.0027 | 779 - 808 | 2.3013 | 2.2687 | 2.2695 | 5.2 | 2.2506 | 5.1 | 2.1841 | 4.2 | 108.7 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 100.2 |
| Ecu | - | 1.4194 | +0.0030 | 180 - 208 | 1.4295 | 1.4169 | 1.4169 | 3.0 | 1.4099 | 3.0 | 1.3834 | 2.6 | - |
| SDR† | - | 1.190090 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.6635 | +0.0026 | 630 - 639 | 1.6722 | 1.6600 | - | - | - | - | - | - | - |
| Brazil | (R$) | 2.0002 | +0.0061 | 993 - 010 | 2.0080 | 1.9863 | - | - | - | - | - | - | - |
| Canada | (C$) | [illegible] | +0.0038 | 540 - 570 | 2.5601 | 2.5495 | 2.5518 | 1.7 | 2.5462 | 1.5 | 2.5269 | 1.1 | 78.0 |
| Mexico | (New Peso) | 16.5242 | +0.0823 | 114 - 370 | 16.6900 | 16.5481 | 17.0944 | -39.9 | 17.8854 | -30.3 | 21.0794 | -26.8 | - |
| USA | ($) | 1.6636 | +0.0028 | 633 - 642 | 1.6726 | 1.6603 | 1.6622 | 1.2 | 1.6597 | 1.4 | 1.6479 | 1.0 | 105.7 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 2.6642 | +0.0387 | 613 - 670 | 2.6760 | 2.6484 | 2.6695 | 2.0 | 2.6614 | 1.9 | 2.6301 | 1.3 | 78.9 |
| Hong Kong | (HK$) | 12.8879 | +0.0234 | 854 - 912 | 12.9556 | 12.8609 | 12.879 | 0.8 | 12.8713 | 0.5 | 13.0614 | -1.6 | - |
| India | (Rs) | 70.8092 | +0.0638 | 817 - 367 | 71.1690 | 70.7450 | 71.0279 | -3.7 | 71.5992 | -4.0 | 75.9742 | -7.3 | - |
| Indonesia | (Rupiah) | 12692.13 | +207.6 | 635 - 792 | 12882.90 | 12385.00 | 12944.08 | -34.5 | 13600.19 | -30.4 | 15675.3 | -24.8 | - |
| Israel | (Shk) | 6.9730 | +0.0498 | 847 - 860 | 6.9920 | 6.9249 | - | - | - | - | - | - | - |
| Japan | (Y) | 197.570 | -2.814 | 434 - 707 | 200.810 | 196.210 | 198.476 | 8.7 | 194.426 | 8.4 | 186.76 | 5.5 | 127.8 |
| Malaysia | (M$) | 6.3223 | +0.0105 | 217 - 368 | 6.3254 | 6.3214 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 3.1760 | +0.0092 | 730 - 790 | 3.1618 | 3.1622 | 3.1675 | 3.2 | 3.1656 | 2.6 | 3.1308 | 1.3 | 88.5 |
| Philippines | (Peso) | 64.5536 | -0.3085 | 697 - 374 | 64.7457 | 64.3258 | 66.0080 | -4.5 | 66.0571 | -4.1 | 68.6096 | -8.2 | - |
| Saudi Arabia | (SR) | 6.2406 | +0.0105 | 394 - 420 | 6.2731 | 6.2260 | 6.2378 | 0.6 | 6.2326 | 0.5 | 6.2447 | -0.1 | - |
| Singapore | (S$) | 2.7389 | +0.0012 | 345 - 393 | 2.7681 | 2.7324 | 2.7284 | 4.8 | 2.7076 | 4.3 | 2.6629 | 2.7 | - |
| South Africa | (R) | 9.5420 | +0.149 | 315 - 525 | 9.5789 | 9.4549 | 9.6918 | -11.3 | 9.792 | -10.6 | 10.5507 | -10.6 | - |
| South Korea | (Won) | 2041.01 | -18.14 | 734 - 447 | 2063.32 | 2036.17 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 53.9172 | +0.0042 | 978 - 367 | 54.1980 | 53.8103 | 53.9734 | -1.3 | 54.0144 | -0.7 | 54.2259 | -0.6 | - |
| Thailand | (Bt) | 59.8202 | -0.1004 | 684 - 779 | 60.0960 | 59.7380 | 59.8048 | 0.3 | 59.7811 | 0.3 | 60.8378 | -1.9 | - |

† Rates for Dec 2. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the internet at http://www.FT.com.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Dec 3 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | Day's mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | J.P. Morgan index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 11.7763 | +0.0074 | 758 - 807 | 11.8480 | 11.6840 | 11.7589 | 2.0 | 11.7268 | 1.8 | 11.5895 | 1.6 | 103.2 |
| Belgium | (BFr) | 34.5300 | +0.017 | 100 - 500 | 34.7100 | 34.2770 | 34.465 | 2.3 | 34.3715 | 1.8 | 33.98 | 1.7 | 103.6 |
| Denmark | (DKr) | 6.3646 | +0.0041 | 626 - 666 | 6.3835 | 6.3229 | 6.3575 | 1.3 | 6.3451 | 1.2 | 6.2997 | 1.0 | 107.8 |
| Finland | (FM) | 5.0900 | +0.004 | 875 - 925 | 5.1166 | 5.0595 | 5.0809 | 2.1 | 5.0663 | 1.8 | 5.008 | 1.6 | 81.2 |
| France | (FFr) | 5.6139 | +0.0037 | 134 - 144 | 5.6423 | 5.5739 | 5.603 | 2.3 | 5.5877 | 1.9 | 5.5213 | 1.6 | 107.0 |
| Germany | (DM) | 1.6741 | +0.0011 | 738 - 744 | 1.6831 | 1.6625 | 1.671 | 2.2 | 1.6665 | 1.8 | 1.6466 | 1.6 | 105.1 |
| Greece | (Dr) | 281.545 | +0.235 | 480 - 610 | 283.370 | 279.970 | 282.915 | -5.8 | 285.42 | -5.5 | 294.945 | -4.8 | 61.8 |
| Ireland | (I£) | 1.4867 | +0.0016 | 852 - 882 | 1.4933 | 1.4821 | 1.4893 | -2.1 | 1.4935 | -1.8 | 1.5118 | -1.7 | - |
| Italy | (L) | 1657.65 | +1.1 | 730 - 800 | 1668.50 | 1645.58 | 1654.65 | 2.0 | 1650.25 | 1.8 | 1630.95 | 1.6 | 76.3 |
| Luxembourg | (LFr) | 34.5300 | +0.017 | 100 - 500 | 34.7100 | 34.2770 | 34.465 | 2.3 | 34.3715 | 1.8 | 33.96 | 1.7 | 103.6 |
| Netherlands | (Fl) | 1.8858 | +0.0011 | 853 - 863 | 1.8967 | 1.8720 | 1.8825 | 2.4 | 1.8778 | 1.9 | 1.8552 | 1.7 | 103.1 |
| Norway | (NKr) | 7.4390 | +0.004 | 365 - 415 | 7.4748 | 7.3757 | 7.4578 | -2.9 | 7.4805 | -2.8 | 7.589 | -1.7 | 92.8 |
| Portugal | (Es) | 171.460 | -0.27 | 360 - 510 | 172.050 | 170.470 | 171.115 | 2.2 | 170.535 | 1.9 | 168.535 | 1.8 | 93.3 |
| Spain | (Pta) | 142.250 | -0.14 | 200 - 300 | 143.200 | 141.500 | 141.99 | 2.2 | 141.615 | 1.8 | 139.99 | 1.6 | 77.4 |
| Sweden | (SKr) | 8.0446 | -0.0227 | 405 - 486 | 8.1093 | 8.0278 | 8.0311 | 2.0 | 8.0099 | 1.7 | 7.9363 | 1.3 | 79.1 |
| Switzerland | (SFr) | 1.3709 | -0.0007 | 695 - 708 | 1.3738 | 1.3552 | 1.3654 | 4.1 | 1.3573 | 3.7 | 1.3254 | 3.3 | 108.4 |
| UK | (£) | 1.6639 | +0.0028 | 633 - 642 | 1.6726 | 1.6603 | 1.6622 | 1.2 | 1.6597 | 1.4 | 1.6479 | 1.0 | 100.0 |
| Ecu | - | 1.1722 | -0.0002 | 718 - 725 | 1.1795 | 1.1669 | 1.174 | -1.9 | 1.1771 | -1.7 | 1.1912 | -1.6 | - |
| SDR† | - | 0.71662 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9999 | - | 998 - 999 | 0.9999 | 0.9998 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.2022 | +0.0016 | 020 - 024 | 1.2024 | 1.2014 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.5360 | -0.0003 | 355 - 365 | 1.5385 | 1.5319 | 1.5365 | 0.6 | 1.5361 | 0.2 | 1.5334 | 0.2 | 75.8 |
| Mexico | (New Peso) | 9.9990 | +0.0221 | 870 - 170 | 9.9990 | 9.8850 | 10.2046 | -26.1 | 10.767 | -31.8 | 12.792 | -28.0 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 107.5 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.6018 | +0.0206 | 000 - 026 | 1.6056 | 1.5973 | 1.6005 | 0.8 | 1.5979 | 0.8 | 1.5872 | 0.9 | 86.6 |
| Hong Kong | (HK$) | 7.7480 | +0.0013 | 457 - 462 | 7.7465 | 7.7448 | 7.7485 | -0.4 | 7.763 | -0.8 | 7.9385 | -2.5 | - |
| India | (Rs) | 42.5600 | -0.02 | 550 - 650 | 42.5700 | 42.5400 | 42.7325 | -4.0 | 43.225 | -6.2 | 46.105 | -8.3 | - |
| Indonesia | (Rupiah) | 7662.50 | +112.5 | 500 - 000 | 7800.00 | 7425.50 | 7787.4 | -36.7 | 8302.5 | -33.9 | 9612.5 | -25.8 | - |
| Israel | (Shk) | 4.1924 | +0.0221 | 873 - 974 | 4.2052 | 4.1629 | - | - | - | - | - | - | - |
| Japan | (Y) | 118.750 | -1.77 | 700 - 800 | 120.500 | 117.580 | 118.295 | 5.6 | 117.295 | 5.0 | 113.336 | 4.8 | 127.2 |
| Malaysia‡ | (M$) | 3.8000 | - | 000 - 000 | 3.8000 | 3.8000 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 1.9089 | +0.0199 | 077 - 102 | 1.9109 | 1.8972 | 1.912 | -1.9 | 1.9174 | -1.8 | 1.9362 | -1.4 | - |
| Philippines | (Peso) | 38.8000 | -0.25 | 000 - 000 | 38.9000 | 38.7000 | 39.111 | -0.6 | 39.7165 | -0.5 | 42.382 | -0.2 | - |
| Saudi Arabia | (SR) | 3.7508 | +0.0002 | 505 - 511 | 3.7512 | 3.7505 | 3.7528 | -0.6 | 3.7591 | -0.9 | 3.7896 | -1.0 | - |
| Singapore | (S$) | 1.6450 | -0.001 | 440 - 460 | 1.6507 | 1.6400 | 1.6402 | 3.5 | 1.633 | 2.9 | 1.615 | 1.8 | - |
| South Africa | (R) | 5.7363 | +0.0803 | 305 - 400 | 5.7450 | 5.6575 | 5.7946 | -12.4 | 5.9058 | -11.9 | 6.4028 | -11.6 | - |
| South Korea | (Won) | 1225.75 | -11.75 | 500 - 950 | 1252.00 | 1224.50 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 32.4070 | -0.015 | 040 - 100 | 32.4500 | 32.4000 | 32.472 | -2.4 | 32.577 | -2.1 | 32.907 | -1.6 | - |
| Thailand | (Bt) | 35.9550 | -0.12 | 300 - 800 | 36.0000 | 35.9200 | 36.09 | -0.8 | 36.056 | -1.1 | 36.98 | -2.9 | - |

† SDR rate per $ for Dec 2. ‡ Official rate set by Malaysian government. [illegible] Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 2: Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Pound table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

## WORLD INTEREST RATES

### MONEY RATES

| Dec 3 | Over night | One month | Three mths | Six mths | One year | Lomb. inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Belgium | 3⅜ | 3¾ | 3¼ | 3½ | 3½ | 6.00 | 2.75 | – |
| France | 3⅛ | 3¼ | 3⅛ | 3⅛ | 3¼ | 4.60 | – | 3.00 |
| Germany | 3⅛ | 3¼ | 3⅛ | 3¼ | 3⅛ | 4.50 | 2.50 | 3.00 |
| Ireland | 3½ | 3½ | 3⅜ | 3¼ | 3¼ | – | – | 3.00 |
| Italy | 3⅞ | 3⅞ | 3¾ | 3⅝ | 3½ | 4.50 | 3.50 | 4.08 |
| Netherlands | 3⅛ | 3⅛ | 3⅛ | 3⅛ | 3⅛ | – | 2.75 | 3.00 |
| Switzerland | 1⅛ | 1⅛ | 1¼ | 1¼ | 1⅛ | – | 1.00 | – |
| US | 4⅞ | 5⅛ | 5⅛ | 5⅛ | 4⅞ | – | 4.50 | – |
| Japan | ¼ | ⅜ | ¼ | ⅜ | ⅜ | – | 0.50 | – |
| ■ $ LIBOR BBA London | | | | | | | | |
| Interbank Fixing | – | 5⅜ | 5¼ | 5⅛ | 5 | – | – | – |
| US Dollar CDs | – | 4.82 | 4.74 | 4.72 | 4.68 | – | – | – |
| ECU Linked Ds | – | 3⅜ | 3⅜ | 3⅜ | 3⅜ | – | – | – |
| SDR Linked Ds | – | 3⅞ | 3⅞ | 3⅝ | 3⅞ | – | – | – |

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

### EURO CURRENCY INTEREST RATES

| Dec 3 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Belgian Franc | 3⅞ - 3⅝ | 3⅜ - 3¼ | 3⅜ - 3¼ | 3¾ - 3⅛ | 3⅜ - 3¼ | 3⅜ - 3¼ |
| Danish Krone | 4⅜ - 4¼ | 4¼ - 4⅛ | 4¼ - 4 | 4⅛ - 3⅞ | 4 - 3¾ | 3⅞ - 3¾ |
| German Mark | 3⅜ - 3⅛ | 3¼ - 3⅛ | 3⅛ - 3⅛ | 3¼ - 3⅛ | 3⅜ - 3¼ | 3⅛ - 3⅛ |
| Dutch Guilder | 3 - 2¾ | 3⅜ - 3¼ | 3⅜ - 3⅜ | 3¼ - 3⅛ | 3⅜ - 3¼ | 3¼ - 3⅛ |
| French Franc | 3⅛ - 3 | 3⅜ - 3⅛ | 3⅜ - 3⅛ | 3⅛ - 3⅛ | 3⅜ - 3¼ | 3¼ - 3⅛ |
| Portuguese Esc. | 4⅜ - 3⅞ | 3⅞ - 3⅞ | 3¼ - 3⅛ | 3½ - 3⅜ | 3⅞ - 3¾ | 3⅜ - 3¼ |
| Spanish Peseta | 3⅜ - 3 | 3¼ - 3 | 3⅞ - 3¼ | 3⅞ - 3¾ | 3⅜ - 3⅛ | 3⅜ - 3⅛ |
| Sterling | 7¼ - 7 | 7 - 6⅞ | 6⅞ - 6⅞ | 6⅞ - 6⅝ | 6⅝ - 6⅜ | 6⅛ - 5⅞ |
| Swiss Franc | 1⅛ - ⅞ | 1⅛ - 1⅛ | 1⅜ - 1⅛ | 1⅛ - 1⅛ | 1⅜ - 1⅛ | 1⅛ - 1⅛ |
| Canadian Dollar | 4⅞ - 4⅞ | 5 - 4⅞ | 5⅛ - 4⅞ | 5 - 4⅞ | 4⅞ - 4⅞ | 4⅞ - 4⅞ |
| US Dollar | 4¾ - 4⅝ | 4⅞ - 4¾ | 5⅛ - 5⅛ | 5¼ - 5⅛ | 5⅛ - 5 | 4⅞ - 4¾ |
| Italian Lira | 3⅞ - 3⅝ | 3⅞ - 3⅞ | 3⅞ - 3⅞ | 3⅞ - 3⅜ | 3⅞ - 3¾ | 3¾ - 3⅛ |
| Japanese Yen | ¼ - ⅛ | ⅜ - ⅛ | ⅜ - ¼ | ⅜ - ⅛ | ⅜ - ¼ | ¼ - ⅛ |
| Asian $Sing | ½ - ¼ | 1¼ - ¼ | 1¾ - 1¼ | 2 - 1¾ | 3 - 2¾ | 3½ - 3 |

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 96.495 | 96.670 | +0.185 | 96.720 | 96.480 | 11,451 | 51,974 |
| Mar | 96.745 | 96.910 | +0.095 | 96.940 | 96.745 | 3,579 | 26,307 |

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 96.415 | 96.420 | - | 96.430 | 96.405 | 41800 | 491037 |
| Mar | 96.755 | 96.760 | +0.010 | 96.770 | 96.725 | 60453 | 513979 |
| Jun | 96.810 | 96.825 | +0.010 | 96.840 | 96.790 | 35773 | 393067 |
| Sep | 96.815 | 96.835 | +0.015 | 96.850 | 96.800 | 31887 | 290179 |

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | | 96.315 | +0 | | | 0 | 4000 |

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 96.390 | 96.410 | +0.010 | 96.420 | 96.390 | 5574 | 160014 |
| Mar | 96.750 | 96.750 | +0.005 | 96.760 | 96.720 | 8182 | 252120 |
| Jun | 96.800 | 96.820 | +0.010 | 96.820 | 96.790 | 927 | 73631 |
| Sep | 96.810 | 96.825 | +0.015 | 96.830 | 96.800 | 492 | 46515 |

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 98.320 | 98.340 | +0.010 | 98.380 | 98.300 | 8676 | 48945 |
| Mar | 98.400 | 98.430 | +0.020 | 98.450 | 98.370 | 13783 | 58940 |
| Jun | 98.350 | 98.390 | +0.020 | 98.410 | 98.320 | 4114 | 27487 |
| Sep | 98.250 | 98.270 | +0.050 | 98.330 | 98.230 | 2256 | 18585 |

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | | 99.35 | +0.02 | | | 0 | n/a |
| Mar | | 99.48 | +0.01 | | | 0 | n/a |
| Jun | | 99.55 | +0.02 | | | 0 | n/a |

* LIFFE futures also traded on APT

■ THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 96.365 | 96.385 | -0.005 | 96.365 | 96.365 | 1 | 9591 |
| Mar | | 96.760 | +0.010 | | | 0 | 6000 |
| Jun | | 96.825 | +0.010 | | | 0 | 2298 |
| Sep | | 96.836 | +0.015 | | | 0 | 1186 |

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

| Strike Price | CALLS Dec | CALLS Mar | CALLS Jun | PUTS Dec | PUTS Mar | PUTS Jun |
|---|---|---|---|---|---|---|
| 96375 | 0.055 | | | 0.020 | | |
| 96500 | 0.010 | 0.300 | 0.400 | 0.100 | 0.050 | 0.080 |
| 96625 | 0.005 | – | | 0.220 | | |

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 72857 Puts 79933

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Dec 3 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 18.43 | 16.26 | 4.848 | 1.948 | 4801 | 5.464 | 21.54 | 496.5 | 412.0 | 23.30 | 3.988 | 1.741 | 4.446 | 2.895 | 343.9 | 2.471 |
| Denmark | (DKr) | 54.25 | 10 | 8.827 | 2.630 | 1.057 | 2604 | 2.964 | 11.69 | 269.4 | 223.5 | 12.64 | 2.163 | 0.944 | 2.413 | 1.571 | 186.6 | 1.340 |
| France | (FFr) | 61.51 | 11.34 | 10 | 2.982 | 1.198 | 2953 | 3.361 | 13.25 | 305.4 | 253.4 | 14.33 | 2.440 | 1.071 | 2.736 | 1.781 | 211.5 | 1.520 |
| Germany | (DM) | 20.63 | 3.802 | 3.353 | 1 | 0.402 | 990.2 | 1.127 | 4.444 | 102.4 | 84.97 | 4.805 | 0.818 | 0.359 | 0.918 | 0.597 | 70.93 | 0.510 |
| Ireland | (I£) | 51.34 | 9.462 | 8.346 | 2.489 | 1 | 2464 | 2.805 | 11.06 | 254.9 | 211.5 | 11.96 | 2.037 | 0.894 | 2.284 | 1.487 | 176.5 | 1.268 |
| Italy | (L) | 2.083 | 0.384 | 0.339 | 0.101 | 0.041 | 100 | 0.114 | 0.449 | 10.34 | 8.581 | 0.485 | 0.083 | 0.036 | 0.093 | 0.060 | 7.164 | 0.051 |
| Netherlands | (Fl) | 18.30 | 3.374 | 2.976 | 0.887 | 0.357 | 878.6 | 1 | 3.943 | 90.87 | 75.40 | 4.264 | 0.726 | 0.319 | 0.814 | 0.530 | 62.94 | 0.452 |
| Norway | (NKr) | 46.42 | 8.558 | 7.547 | 2.250 | 0.904 | 2228 | 2.536 | 10 | 230.5 | 191.2 | 10.81 | 1.842 | 0.806 | 2.065 | 1.344 | 159.6 | 1.147 |
| Portugal | (Es) | 20.14 | 3.713 | 3.275 | 0.977 | 0.392 | 966.6 | 1.100 | 4.339 | 100 | 82.98 | 4.692 | 0.799 | 0.351 | 0.896 | 0.583 | 69.27 | 0.498 |
| Spain | (Pta) | 24.27 | 4.474 | 3.947 | 1.177 | 0.473 | 1165 | 1.326 | 5.230 | 120.5 | 100 | 5.655 | 0.963 | 0.423 | 1.080 | 0.703 | 83.48 | 0.600 |
| Sweden | (SKr) | 42.92 | 7.911 | 6.978 | 2.081 | 0.836 | 2061 | 2.345 | 9.247 | 213.1 | 176.8 | 10 | 1.703 | 0.747 | 1.909 | 1.243 | 147.6 | 1.060 |
| Switzerland | (SFr) | 25.20 | 4.646 | 4.098 | 1.222 | 0.491 | 1210 | 1.377 | 5.430 | 125.1 | 103.8 | 5.872 | 1 | 0.439 | 1.121 | 0.730 | 86.68 | 0.623 |
| UK | (£) | 57.45 | 10.59 | 9.340 | 2.785 | 1.119 | 2758 | 3.139 | 12.38 | 285.2 | 236.7 | 13.38 | 2.279 | 1 | 2.555 | 1.664 | 197.6 | 1.419 |
| Canada | (C$) | 22.48 | 4.144 | 3.655 | 1.090 | 0.438 | 1079 | 1.229 | 4.843 | 111.6 | 92.61 | 5.238 | 0.892 | 0.391 | 1 | 0.651 | 77.31 | 0.555 |
| USA | ($) | 34.53 | 6.366 | 5.614 | 1.674 | 0.673 | 1658 | 1.887 | 7.439 | 171.4 | 142.3 | 8.045 | 1.370 | 0.601 | 1.536 | 1 | 118.8 | 0.853 |
| Japan | (Y) | 29.08 | 5.360 | 4.728 | 1.410 | 0.566 | 1396 | 1.589 | 6.264 | 144.4 | 119.8 | 6.775 | 1.154 | 0.506 | 1.293 | 0.842 | 100 | 0.718 |
| Ecu | – | 40.48 | 7.461 | 6.581 | 1.962 | 0.788 | 1943 | 2.211 | 8.720 | 201.0 | 166.7 | 9.430 | 1.606 | 0.705 | 1.801 | 1.172 | 139.2 | 1 |

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 0.5967 | 0.5980 | -0.0011 | 0.6019 | 0.5937 | 28,646 | 88,403 |
| Mar | 0.6008 | 0.6009 | -0.0007 | 0.6026 | 0.5985 | 3,504 | 5,091 |
| Jun | 0.6016 | 0.6010 | -0.0028 | 0.6029 | 0.6010 | 1 | 1,174 |

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 0.8343 | 0.8428 | +0.0078 | 0.8515 | 0.8310 | 24,332 | 70,043 |
| Mar | 0.8465 | 0.8531 | +0.0074 | 0.8605 | 0.8425 | 4,741 | 9,940 |
| Jun | – | 0.8594 | – | – | – | 290 | 3,546 |

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 0.7330 | 0.7320 | -0.0012 | 0.7386 | 0.7286 | 16,003 | 43,059 |
| Mar | 0.7390 | 0.7388 | -0.0011 | 0.7400 | 0.7368 | 2,187 | 9,012 |
| Jun | – | 0.7458 | – | – | – | 30 | 137 |

■ STERLING FUTURES (IMM) £62,500 per £

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 1.6654 | 1.6648 | -0.0014 | 1.6720 | 1.6618 | 16,893 | 47,287 |
| Mar | 1.6598 | 1.6590 | -0.0014 | 1.6640 | 1.6550 | 7,599 | 7,276 |
| Jun | 1.6602 | 1.6555 | – | 1.6582 | 1.6640 | 1 | 1,216 |

## UK INTEREST RATES

### LONDON MONEY RATES

| Dec 3 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | 6¾ - 6½ | 7⅛ - 6¾ | 6⅞ - 6⅝ | 6¾ - 6⅝ | 6⅝ - 6¼ | 6⅛ - 6 |
| Sterling CDs | - | - | 6⅞ - 6⅝ | 6⅝ - 6½ | 6⅜ - 6¼ | 6⅛ - 6 |
| Treasury Bills | - | - | 6⅝ - 6½ | 6⅜ - 6¼ | - | - |
| Bank Bills | - | - | 6¾ - 6⅝ | 6⅝ - 6½ | 6⅛ - 6¼ | - |
| Local authority deps. | 6¾ - 6½ | 6¾ - 6⅝ | 6⅞ - 6⅝ | 6¾ - 6⅝ | 6⅜ - 6¼ | 6⅛ - 6 |
| Discount Market deps | 6¾ - 6½ | 6¾ - 6⅝ | - | - | - | - |

UK clearing bank base lending rate 6¾ per cent from Nov 5, 1998.

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | 4 | 6.5 | 6.5 | 6.25 | 6.25 |

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc. Ave. tender rate of discount on Nov 27, 6.2371pc. ECGD fixed rate Stg. Export Finance. Make up day Nov 30, 1998. Agreed rate for period Dec 26, 1998 to Jan 25, 1999, Scheme III 8.24pc. Reference rate for period Oct 31, 1998 to Nov 30, 1998, Schemes IV & V 6.988pc. Finance House Base Rate 7½pc for Dec 1998.

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 93.290 | 93.270 | -0.020 | 93.290 | 93.260 | 22927 | 191788 |
| Mar | 93.960 | 94.010 | +0.040 | 94.020 | 93.940 | 33538 | 168175 |
| Jun | 94.250 | 94.340 | +0.070 | 94.350 | 94.240 | 23402 | 152734 |
| Sep | 94.370 | 94.450 | +0.060 | 94.470 | 94.360 | 21420 | 164783 |
| Dec | 94.190 | 94.160 | -0.050 | 94.190 | 94.140 | 15543 | 136870 |

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

| Strike Price | CALLS Dec | CALLS Mar | CALLS Jun | PUTS Dec | PUTS Mar | PUTS Jun |
|---|---|---|---|---|---|---|
| 93250 | 0.075 | 0.785 | 1.135 | 0.055 | 0.025 | 0.040 |
| 93375 | 0.040 | | | 0.145 | | |
| 93500 | 0.020 | 0.555 | 0.895 | 0.250 | 0.045 | 0.055 |
| 93625 | 0.010 | | | 0.365 | | |
| 93750 | 0.005 | 0.360 | 0.685 | 0.485 | 0.100 | 0.095 |
| 93875 | 0 | | | 0.605 | | |

Est. vol. total, Calls 9213 Puts 11856. Previous day's open int., Calls 591226 Puts 617864

### EMS EUROPEAN CURRENCY UNIT RATES

| Dec 3 | Ecu cen. rates | Rate against Ecu | Change on day | % +/- from cen. rate | % spread v weakest | Div. ind. |
|---|---|---|---|---|---|---|
| Greece | 357.000 | 329.876 | +0.504 | -7.60 | 7.26 | 51 |
| Denmark | 7.54257 | 7.44381 | +0.00516 | -1.31 | 0.38 | 9 |
| Ireland | 0.796244 | 0.788154 | +0.000518 | -1.01 | 0.06 | 7 |
| France | 6.63186 | 6.56480 | +0.00422 | -1.01 | 0.06 | 8 |
| Germany | 1.97738 | 1.95770 | +0.00123 | -1.00 | 0.04 | 10 |
| Austria | 13.9119 | 13.7733 | +0.0081 | -1.00 | 0.04 | 7 |
| Belgium | 40.7844 | 40.3823 | +0.0259 | -0.99 | 0.03 | 7 |
| Finland | 6.01125 | 5.95234 | +0.00365 | -0.98 | 0.02 | 7 |
| Netherlands | 2.22789 | 2.20626 | +0.00172 | -0.97 | 0.02 | 7 |
| Spain | 168.220 | 166.571 | +0.096 | -0.98 | 0.02 | 7 |
| Italy | 1957.61 | 1938.42 | +1.26 | -0.98 | 0.02 | 7 |
| Portugal | 202.692 | 200.753 | +0.095 | -0.96 | 0.00 | 6 |
| NON ERM MEMBERS | | | | | | |
| UK | 0.853844 | 0.700922 | -0.00087 | 7.23 | -7.84 | – |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. 16/3/98: Drachma joined ERM & Punt revalued by 3%. Other central rates adjusted. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

| Strike Price | CALLS Dec | CALLS Jan | CALLS Feb | PUTS Dec | PUTS Jan | PUTS Feb |
|---|---|---|---|---|---|---|
| 1.650 | 1.70 | 2.51 | 2.98 | 0.28 | 1.23 | 1.93 |
| 1.660 | 0.99 | 1.95 | 2.51 | 0.53 | 1.65 | 2.38 |
| 1.670 | 0.59 | 1.50 | 2.06 | 0.99 | 2.14 | 2.83 |

Previous day's vol., Calls - Puts 15 . Prev. day's open int., Calls 590 Puts 4,004

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

| Strike Price | CALLS Dec | CALLS Jan | CALLS Feb | PUTS Dec | PUTS Jan | PUTS Feb |
|---|---|---|---|---|---|---|
| 0.590 | 0.95 | 1.37 | - | 0.12 | 0.43 | 0.60 |
| 0.595 | 0.58 | 1.05 | 1.30 | 0.25 | 0.61 | 0.79 |
| 0.600 | 0.33 | 0.78 | 1.02 | 0.47 | 0.85 | 1.03 |

Previous day's vol., Calls 20 Puts 259 . Prev. day's open int., Calls 2,343 Puts 10,329

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 94.77 | 94.80 | +0.03 | 94.82 | 94.76 | 33,254 | 412,854 |
| Mar | 95.20 | 95.25 | +0.05 | 95.27 | 95.20 | 81,046 | 493,032 |
| Jun | 95.29 | 95.34 | +0.05 | 95.36 | 95.26 | 106,843 | 404,326 |

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 95.74 | 95.72 | +0.01 | 95.74 | 95.72 | 81 | 1,767 |
| Mar | 96.01 | 96.06 | +0.06 | 96.07 | 96.01 | 140 | 707 |
| Jun | – | 96.10 | – | – | – | 5 | 39 |

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

| Strike Price | CALLS Dec | CALLS Jan | CALLS Feb | CALLS Mar | PUTS Dec | PUTS Jan | PUTS Feb | PUTS Mar |
|---|---|---|---|---|---|---|---|---|
| 96375 | 0.065 | | | | 0.020 | | | |
| 96500 | 0.025 | 0.280 | 0.295 | 0.310 | 0.105 | 0.020 | 0.035 | 0.050 |
| 96625 | 0.010 | | | | 0.215 | | | |
| 96750 | 0.005 | 0.080 | 0.100 | 0.135 | 0.335 | 0.070 | 0.090 | 0.125 |

Est. vol. total, Calls 33958 Puts 7881. Previous day's open int., Calls 926324 Puts 484980

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

| Strike Price | CALLS Dec | CALLS Mar | CALLS Jun | PUTS Dec | PUTS Mar | PUTS Jun |
|---|---|---|---|---|---|---|
| 98500 | 0.015 | 0.130 | 0.185 | 0.175 | 0.200 | 0.295 |
| 98625 | 0.005 | – | – | 0.290 | | |

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 14284 Puts 5217

### BASE LENDING RATES

| | % |
|---|---|
| Adam & Company | 6.75 |
| Allied Irish Bank (GB) | 6.75 |
| •Henry Ansbacher | 6.75 |
| Banco Bilbao Vizcaya | 6.75 |
| Bank of Cyprus | 6.75 |
| Bank of Ireland | 6.75 |
| Bank of India | 6.75 |
| Bank of Scotland | 6.75 |
| Barclays Bank | 6.75 |
| Brit Bk of Mid East | 6.75 |
| •Brown Shipley & Co Ltd | 6.75 |
| Citibank NA | 6.75 |
| Clydesdale Bank | 6.75 |
| The Co-operative Bank | 6.75 |
| Coutts & Co | 6.75 |
| Cyprus Popular Bank | 6.75 |
| Duncan Lawrie | 6.75 |
| Exeter Trust Limited | 7.75 |
| Financial & Gen Bank | 8.00 |
| •Robert Fleming & Co | 6.75 |
| Habib Bank AG Zurich | 6.75 |
| Heritable & Gen Inv Bk | 6.75 |
| C. Hoare & Co | 6.75 |
| •SG Hambros Bank & Trust | 6.75 |
| Hongkong & Shanghai | 6.75 |
| Investec Bank (UK) Ltd | 6.75 |
| Julian Hodge Bank | 6.75 |
| •Leopold Joseph & Sons | 6.75 |
| Lloyds Bank | 6.75 |
| Midland Bank | 6.75 |
| NatWestminster | 6.75 |
| •Rea Brothers | 6.75 |
| Royal Bk of Scotland | 6.75 |
| Scottish Widows Bank | 6.75 |
| •Singer & Friedlander | 6.75 |
| Smith & Williamson | 6.75 |
| Sun Bank | 6.75 |
| TSB | 6.75 |
| United Bank of Kuwait | 6.75 |
| Unity Trust Bank Plc | 6.75 |
| Whiteaway Laidlaw | 6.75 |
| Yorkshire Bank | 6.75 |

● Members of London Investment Banking Association

**AGRICULTURE** FARM COSTS VARY WIDELY

# EU urged to improve single market

By Michael Smith in Brussels

The European Union was yesterday urged to act to improve the "single market" for agricultural equipment and products after an analysis found wide variations between countries in farm costs.

Farmers in the UK pay 40 per cent more for harvesters than their counterparts in Spain, according to a survey by Ceja, an organisation representing young farmers.

The analysis found price differences between countries of up to 196 per cent for plant protection products and up to 37 per cent for fertilisers.

John Lee, Ceja president, said the analysis showed the single market was not working for farm equipment and products.

"This is a direct threat to the competitiveness of young farmers, who face large costs to start up," Mr Lee said.

Ceja examined prices for fertilisers, plant protection products and agricultural production equipment. Mr Lee said it was significant that the differences were less marked in fertilisers.

In the other two sectors, normal single market rules were not in force because countries used an article of the EU's founding treaty allowing restrictions of trade in products that can potentially endanger the health of humans, animals or plants, Mr Lee said.

Ceja wants the European Commission to consider whether the article is being abused by countries protecting indigenous industries.

The Commission said it would continue to act on any measures it considered illegal or constituted a restrictive practice. Some of the issues raised by Ceja's findings were matters for national authorities.

The Commission said the introduction of a single currency in 11 European countries next month would also introduce more transparency into agricultural prices.

Findings of the survey, carried out this year, include:

● Ireland is the most expensive European state for calcium ammonium nitrate, a fertiliser that neutralises soil acidity and improves yields. The difference in price between Ireland and the Netherlands was 28 per cent.

● Belgian farmers pay 165 per cent more for Coumatetralyl, a pesticide, than Germans.

● One kilogram of the herbicide Linuron costs nearly three times more in Portugal than Germany.

● The cost of Permethrin, an insecticide, in Germany was twice that in Portugal.

● The price of Ethofumisate, used to kill weeds, was 136 per cent more in the UK than Germany.

● UK farmers pay 128 per cent more for Tralkoxydim, a herbicide, than their counterparts in Portugal.

● German farmers pay 22 per cent more for a JCB Fastrac 3150 tractor than their colleagues in the Netherlands. If they want a Fastrac 3155-80 they pay 40 per cent more than they would in Spain.

● A Kverneland bale wrapper costs 36 per cent more in Denmark than in Germany.

Ceja says taxes on importation of agricultural machinery partly explain the large difference in prices between member states. Transport costs also contributed to the gaps.

# Indonesia to change mining royalties

By Sander Thoenes in Jakarta

Indonesian officials yesterday said they would change mining royalties and push for more payments directly to local governments to assuage growing popular resentment against foreign mining companies.

Rozik Soetjipto, director general for mining at the Ministry for Energy and Mining, said royalties would remain competitive with other countries, but 80 per cent would need to be paid directly to provincial and district governments.

The government would urge higher compensation for land use and enhanced participation of the surrounding community, including traditional gold miners that have clashed with several foreign gold mining companies.

At present 100 per cent of royalties are paid to the central government and rules for sharing with local departments are poorly implemented, leaving villages surrounding mines feeling all the pain and little of the gain from such operations.

Coal mines pay a royalty of 13.5 per cent of production, while the rate varies for other mining companies.

Mr Rozik said Jakarta would keep control over taxes, but local governments would be given more authority over permits – a concern to mining companies, which already complain of a double layer of bureaucracy.

He added that the government would draft a new mining act to "meet the aspirations of the people" for a larger share of the profits, but said it had rejected calls for an obligatory government stake.

Deposits in Java, the most densely populated island, which is now off-limits, will also be offered to foreign mining companies and discounts on royalties will be offered for poor quality, remote or deep deposits.

# Code will offer oceans of wealth

Seabed mining rules have been formulated after years of debate, says **Canute James**

A code to regulate the recovery of minerals from the world's seabeds is to be approved soon, allowing contracts to be issued for seabed mining to agencies and companies in several countries.

The code is being drafted by the International Seabed Authority, the agency that will regulate the exploitation of the mineral resources of the seabeds.

The mining code and the contracts will set out the rights and obligations of international seabed miners, and are at the centre of 20 years of often contentious efforts to prevent chaos in the exploitation of designated areas of the seabed, mainly in the Pacific and Indian Oceans.

"Approval of the mining code will give a fillip to the practical aspects of the exploitation of the resources of the international seabed," says Satya Nandan, secretary-general of the International Seabed Authority, which has its headquarters in Jamaica. "This will encourage the development of the technology for mining the international seabed, although it is difficult now to say exactly when seabed mining will begin."

The code will govern the prospecting and exploitation of billions of dollars worth of polymetallic nodules lying on the international seabed, outside the 200-mile economic zone of any country. The nodules contain copper, nickel, manganese and cobalt, and varying quantities of other minerals.

The code will also regulate the recovery of hydrocarbons and polymetallic sulphides, said Mr Nandan.

The first consortia to obtain mining contracts are Ifremer/Afernod of France, Deep Ocean Resources Development Company of Japan, Yuzhmorgeologiya of Russia, China Ocean Mineral Resources Research and Development Company, and Interoceanmetal Joint Organisation, created by Poland, the Czech Republic, Slovakia, Cuba and Bulgaria. Mining proposals by India and the Republic of Korea have also been approved.

"The key to mining the international seabed is the development of the technology," says Mr Nandan. "The identification and location of reserves is well advanced, but technology will have to be developed for mining that will take place at depths of between 4,000 and 6,000 metres."

Seabed mining technology should benefit from efforts to exploit marine minerals, such as that by Australian interests in the territorial waters of Papua New Guinea. Submarine volcanic domes have been found with significant deposits of gold, silver, copper and zinc.

These ventures will assist the eventual exploitation of minerals from the international seabed as the technology can be adapted for working at greater depths. They will also assist the ISA in studying the environmental impact of deep sea mining.

The creation of the ISA in 1994 and agreement on a Law of the Sea Convention that governs its operations followed years of debate to deal with the conflicting concerns of developing and industrialised countries. Common ground was eventually found on several issues, including production policy, the relationship between land-based and seabed producers, benefits for land-locked countries and the transfer of technology.

The arguments concerned how to share the benefits from exploitation of the resources of the international seabed. Traditional land-based producers had to be satisfied that they would not be harmed by unbridled exploitation of seabed minerals that could flood the market and depress prices.

"Much of the polemical debate has been left behind and many of the early concerns have been met," says Mr Nandan. "The convention was amended and accepted by almost all countries. They have accepted that the ISA is the body that regulates the exploitation of the mineral resources of the seabed, and that any activity related thereto must be done through the ISA."

The convention has been ratified by 127 countries, but among the few that have not is the US. The Clinton administration indicated its intention in 1994 to ratify the treaty, but this has to be approved by the Senate. The Senate foreign relations committee has not acted on it.

The US was granted "provisional" membership of the ISA, but this expired on November 16. The country is now an "observer", which cannot take part in activities of the ISA.

"The ISA needs the US and the US needs the ISA," says Mr Nandan. "The US is important economically, technologically and politically to the authority. By not being in the ISA, the US will not benefit from developments in seabed mining and US companies cannot have rights to operate in the international area."

Seabed mining technology should benefit from efforts to exploit marine minerals — Kenneth Gooding

# Oil up on hopes of more cuts in output

**MARKETS REPORT**

By Paul Solman

World crude oil prices strengthened yesterday after several days of weakness.

The benchmark January contract for Brent blend on the International Petroleum Exchange was $10.55 a barrel in late trading, against Wednesday's close of $10.36.

The price hit $10.06 this week amid disappointment over last week's decision by the Organisation of Petroleum Exporting Countries not to add to the production cuts of 2.6m barrels a day agreed earlier this year.

However, Rilwanu Lukman, Opec general secretary, was quoted yesterday as saying the organisation would be prepared to make additional cuts in production if prices did not recover.

On the London Metal Exchange, copper finished at an 11½-year low after reports that copper cathode stocks had increased substantially in the LME's Singapore warehouses. The three-month contract closed at $1,545 a tonne against Wednesday's close of $1,560.

Aluminium was also weak, ending down $18.50 at $1,274 a tonne.

Silver was "fixed" in London yesterday afternoon at $4.69 an ounce, its lowest for 15 months, although it recovered some ground in European trading and was later quoted at $4.75.

Analysts said demand for the metal's industrial applications – including photography and electronics – continued to be weak, and the precious metal was suffering from the problems associated with base metals.

Robusta coffee futures had a strong day on the London International Financial Futures and Options Exchange, the most actively traded January contract ending up $57 at $1,835 a tonne.

## COMMODITIES PRICES

### BASE METALS

**LONDON METAL EXCHANGE**

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1272.5-3.5 | 1273-4 |
| Previous | 1291.5-92.5 | 1292-92.5 |
| High/low | | 1298/1266 |
| AM Official | 1267.5-68.0 | 1268-68.5 |
| Kerb close | | 1271-2 |
| Open int. | 314,246 | |
| Total daily turnover | 48,405 | |

■ ALUMINIUM ALLOY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1062-7 | 1090-94 |
| Previous | 1073-78 | 1103-05 |
| High/low | | 1105/1092 |
| AM Official | 1068-71 | 1099-101 |
| Kerb close | | 1088-90 |
| Open int. | 6,943 | |
| Total daily turnover | 908 | |

■ LEAD ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 492-3 | 485-6 |
| Previous | 489-90 | 483-4 |
| High/low | | 485/481 |
| AM Official | 487-88 | 480-81 |
| Kerb close | | 482-3 |
| Open int. | 41,686 | |
| Total daily turnover | 7,840 | |

■ NICKEL ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 4010-20 | 4075-80 |
| Previous | 4015-25 | 4080-90 |
| High/low | | 4120/4055 |
| AM Official | 4010-15 | 4075-80 |
| Kerb close | | 4060-65 |
| Open int. | 69,073 | |
| Total daily turnover | 18,525 | |

■ TIN ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 5355-65 | 5345-55 |
| Previous | 5350-60 | 5340-50 |
| High/low | | 5365/5340 |
| AM Official | 5370-75 | 5350-60 |
| Kerb close | | 5365-70 |
| Open int. | 18,888 | |
| Total daily turnover | 4,955 | |

■ ZINC, special high grade ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 957.5-8.5 | 986-7 |
| Previous | 980-1 | 998.5-9 |
| High/low | | 993/985 |
| AM Official | 970-70.5 | 988.5-89 |
| Kerb close | | 986-7 |
| Open int. | 84,842 | |
| Total daily turnover | 11,771 | |

■ COPPER, grade A ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1516.5-7.5 | 1544-5 |
| Previous | 1530-31 | 1559-60 |
| High/low | | 1559/1540 |
| AM Official | 1524.5-25 | 1552-53 |
| Kerb close | | 1540-1 |
| Open int. | 170,449 | |
| Total daily turnover | 36,740 | |

■ LME AM Official £/$ rate: 1.6664

LME Closing £/$ rate: 1.6645

Spot: 1.6621 3 mths: 1.6564 6 mths: 1.6500 9 mths: 1.6484

■ HIGH GRADE COPPER (COMEX)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 67.45 | -1.40 | 69.25 | 67.45 | 1,832 | 6,352 |
| Jan | 67.95 | -1.50 | 69.30 | 67.95 | 90 | 3,011 |
| Feb | 68.40 | -1.45 | 69.55 | 68.30 | 51 | 1,816 |
| Mar | 70.25 | - | 70.40 | 68.70 | 7,730 | 38,976 |
| Apr | 69.20 | -1.40 | 69.10 | 69.10 | 354 | 1,513 |
| May | 69.65 | -1.35 | 71.00 | 69.70 | 547 | 4,474 |
| Total | | | | | 11,484 | 71,863 |

### PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

| Gold(Troy oz) | $ price | £ equiv | SFr equiv |
|---|---|---|---|
| Close | 292.30-292.80 | | |
| Opening | 293.10-293.40 | | |
| Morning fix | 292.95 | 175.651 | 398.266 |
| Afternoon fix | 292.65 | 176.416 | 401.205 |
| Day's High | 293.60-293.90 | | |
| Day's Low | 292.00-292.30 | | |
| Previous close | 293.60-294.10 | | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

| | | | |
|---|---|---|---|
| 1 month | 4.12 | 6 months | 3.71 |
| 2 months | 4.05 | 12 months | 3.43 |
| 3 months | 4.02 | | |

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 281.01 | 469.00 |

Silver Lending Rates

| | | | |
|---|---|---|---|
| 1 month | 3.70 | 6 months | 2.50 |
| 2 months | 3.40 | 12 months | 2.20 |
| 3 months | 3.30 | | |

| Gold Coins | $ price | £ equiv |
|---|---|---|
| Krugerrand | 297-301 | 178-180 |
| New Sovereign | 69-73 | 41-43 |

### Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 291.3 | -1.4 | 293.0 | 291.0 | 178 | 2,114 |
| Feb | 293.7 | -1.5 | 295.5 | 293.3 | 18,962 | 98,259 |
| Apr | 295.6 | -1.5 | 297.1 | 295.0 | 921 | 18,530 |
| Jun | 297.3 | -1.5 | 299.2 | 297.0 | 94 | 15,573 |
| Aug | 299.0 | -1.5 | 299.5 | 299.5 | 100 | 6,370 |
| Oct | 300.6 | -1.5 | 303.0 | 303.0 | 18 | 2,460 |
| Total | | | | | 21,182 | 145,886 |

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 347.7 | +1.0 | 348.0 | 348.0 | 2,202 | 10,492 |
| Apr | 348.7 | +1.0 | 348.7 | 347.5 | 206 | 2,066 |
| Jul | 350.1 | +1.0 | - | 349.5 | 12 | 275 |
| Oct | 351.4 | +1.0 | - | - | - | 994 |
| Total | | | | | 2,480 | 14,329 |

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 272.00 | -0.60 | 272.00 | 272.00 | 170 | 102 |
| Mar | 271.50 | -0.60 | 272.00 | 271.00 | 402 | 2,276 |
| Jun | 269.50 | -0.60 | - | - | 5 | 9 |
| Total | | | | | 486 | 2,814 |

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 474.2 | +7.8 | 475.5 | 458.0 | 524 | 1,637 |
| Jan | 476.4 | +7.8 | 469.5 | 469.5 | 14 | 74 |
| Mar | 479.6 | +7.5 | 480.0 | 468.5 | 30,722 | 54,920 |
| May | 482.5 | +7.5 | 484.0 | 469.0 | 206 | 6,104 |
| Jul | 485.1 | +7.5 | 485.0 | 474.0 | 308 | 6,450 |
| Sep | 487.8 | +7.5 | 482.0 | 480.0 | 141 | 1,549 |
| Total | | | | | 32,324 | 80,281 |

### ENERGY

■ CRUDE OIL NYMEX (1,000 barrels; $/barrel)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 11.60 | +0.36 | 11.65 | 11.23 | 46,590 | 120.8k |
| Feb | 11.94 | +0.34 | 11.97 | 11.60 | 19,530 | 70,992 |
| Mar | 12.25 | +0.24 | 12.33 | 12.00 | 7,278 | 42,992 |
| Apr | 12.61 | +0.22 | 12.65 | 12.47 | 100 | 20,527 |
| May | 12.95 | +0.20 | 12.99 | 12.88 | 2,597 | 20,037 |
| Jun | 13.23 | +0.18 | 13.30 | 13.14 | 5,204 | 25,442 |
| Total | | | | | 91,929 | 498,807 |

■ CRUDE OIL IPE ($/barrel)

| | 6pm price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 10.55 | +0.19 | 10.62 | 10.37 | 16,714 | 67,552 |
| Feb | 10.83 | +0.15 | 10.90 | 10.66 | 14,396 | 46,189 |
| Mar | 11.09 | +0.12 | 11.14 | 10.98 | 4,400 | 27,344 |
| Apr | 11.38 | +0.11 | 11.44 | 11.26 | 1,889 | 13,714 |
| May | 11.65 | +0.09 | 11.72 | 11.56 | 407 | 10,526 |
| Jun | 11.92 | +0.08 | 12.00 | 11.86 | 1,332 | 22,826 |
| Total | | | | | n/a | n/a |

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 33.05 | +0.77 | 33.25 | 32.30 | 21,614 | 60,086 |
| Feb | 34.15 | +0.69 | 34.35 | 33.53 | 9,330 | 31,274 |
| Mar | 35.00 | +0.79 | 35.00 | 34.45 | 4,814 | 21,736 |
| Apr | 35.50 | +0.54 | 35.70 | 35.05 | 1,821 | 14,419 |
| May | 36.20 | +0.49 | 36.35 | 36.15 | 1,531 | 11,708 |
| Jun | 36.95 | +0.49 | 36.95 | 35.70 | 983 | 9,721 |
| Total | | | | | 42,928 | 182,190 |

■ GAS OIL IPE ($/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 95.75 | +3.00 | 96.00 | 93.25 | 10,422 | 33,153 |
| Jan | 99.75 | +3.00 | 99.75 | 97.25 | 10,469 | 32,515 |
| Feb | 102.75 | +2.00 | 103.00 | 101.00 | 2,367 | 21,934 |
| Mar | 104.50 | +1.75 | 105.00 | 103.50 | 1,363 | 12,397 |
| Apr | 106.75 | +2.25 | 107.25 | 106.00 | 664 | 8,725 |
| May | 109.00 | +1.75 | 110.00 | 108.50 | 290 | 3,554 |
| Total | | | | | 25,008 | 154,467 |

■ NATURAL GAS IPE (1,000 therms; pence per therm)

| | | | | | | |
|---|---|---|---|---|---|---|
| Jan | 17.100 | +0.120 | 17.100 | 16.950 | 185 | 3,900 |
| Feb | 15.970 | +0.120 | 16.000 | 15.920 | 90 | 5,260 |
| Total | | | | | 475 | 26,878 |

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 1.875 | -0.011 | 1.915 | 1.811 | 37,990 | 57,989 |
| Feb | 1.930 | -0.001 | 1.955 | 1.867 | 11,257 | 28,863 |
| Mar | 1.940 | +0.002 | 1.990 | 1.885 | 3,421 | 26,564 |
| Apr | 1.935 | -0.013 | 1.980 | 1.900 | 3,746 | 14,309 |
| May | 1.960 | -0.008 | 1.975 | 1.930 | 1,983 | 11,221 |
| Total | | | | | 68,177 | 234,593 |

■ UNLEADED GASOLINE

NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 1.975 | -0.013 | 1.990 | 1.960 | 1,891 | 11,558 |
| Jan | 35.45 | +0.82 | 35.45 | 34.65 | 13,199 | 39,637 |
| Feb | 36.80 | +0.81 | 36.80 | 36.20 | 4,195 | 10,667 |
| Mar | 38.10 | +0.70 | 38.10 | 37.65 | 1,556 | 7,866 |
| Apr | 41.25 | +0.39 | 41.25 | 41.15 | 358 | 9,324 |
| May | 42.00 | +0.13 | 42.10 | 41.85 | 1,568 | 9,436 |

Jun43.00+0.4943.0042.705.3245.838

### GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 78.85 | - | 78.85 | 78.50 | 114 | [illegible] |
| Mar | 80.50 | - | 80.80 | 80.25 | 90 | 3,374 |
| May | 82.50 | - | 82.50 | 82.25 | 116 | 2,856 |
| Jul | 84.50 | - | 84.50 | 84.50 | 20 | 302 |
| Sep | 81.50 | - | - | - | - | 94 |
| Total | | | | | 330 | 8,436 |

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 270.50 | -4.25 | 273.00 | 270.00 | 5,977 | 3,792 |
| Mar | 285.00 | -4.75 | 291.50 | 284.50 | 13,740 | 74,534 |
| May | 295.25 | -4.50 | 299.00 | 295.00 | 739 | 11,226 |
| Jul | 305.25 | -4.25 | 309.75 | 305.00 | 973 | 22,945 |
| Sep | 314.00 | -4.50 | 317.00 | 314.00 | 11 | 1,367 |
| Dec | 328.00 | -4.50 | 330.00 | 328.00 | 56 | 1,233 |
| Total | | | | | 21,497 | 115,098 |

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 215.50 | -2.00 | 217.50 | 215.25 | 19,274 | 27,776 |
| Mar | 224.75 | -2.50 | 227.50 | 224.50 | 44,735 | 161,385 |
| May | 232.50 | -2.75 | 235.25 | 232.25 | 5,438 | 42,726 |
| Jul | 238.50 | -2.50 | 240.25 | 238.25 | 6,016 | 49,186 |
| Sep | 245.25 | -1.75 | 248.75 | 245.25 | 794 | 8,119 |
| Dec | 251.50 | -1.25 | 253.00 | 251.25 | 1,027 | 21,468 |
| Total | | | | | 76,387 | 312,634 |

■ BARLEY LIFFE (100 tonnes; £ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 78.50 | - | 78.50 | 78.50 | 139 | 568 |
| Mar | 80.80 | +0.05 | 80.70 | 80.70 | 70 | 320 |
| May | 81.80 | +0.05 | - | - | - | 32 |
| Sep | 79.85 | +0.35 | - | - | - | 20 |
| Nov | 81.85 | +0.35 | - | - | - | 16 |
| Total | | | | | 209 | 946 |

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 581.00 | -6.75 | 587.75 | 577.00 | 36,679 | 74,263 |
| Mar | 590.75 | -7.00 | 597.50 | 587.00 | 8,276 | 31,937 |
| May | 599.25 | -6.50 | 605.25 | 595.75 | 2,646 | 14,836 |
| Jul | 606.25 | -5.50 | 611.25 | 603.00 | 2,499 | 20,164 |
| Aug | 607.25 | -5.75 | 611.00 | 605.00 | 514 | 2,495 |
| Sep | 605.25 | -5.25 | 609.00 | 605.00 | 94 | 440 |
| Total | | | | | 52,408 | 154,281 |

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 24.47 | -0.48 | 24.85 | 24.24 | 7,302 | 4,293 |
| Jan | 24.63 | -0.51 | 25.14 | 24.41 | 16,645 | 39,372 |
| Mar | 24.83 | -0.56 | 25.39 | 24.55 | 5,910 | 32,593 |
| May | 25.00 | -0.55 | 25.50 | 24.80 | 442 | 12,154 |
| Jul | 25.15 | -0.55 | 25.55 | 24.97 | 925 | 13,860 |
| Aug | 25.23 | -0.52 | 25.55 | 25.10 | 452 | 1,862 |
| Total | | | | | 31,681 | 110,377 |

■ SOYABEAN MEAL CBT (100 tons; $/ton)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 149.2 | -1.6 | 150.8 | 146.3 | 5,530 | 11,300 |
| Jan | 151.2 | -0.7 | 152.6 | 148.3 | 18,148 | 50,810 |
| Mar | 154.6 | -0.6 | 155.8 | 152.0 | 6,845 | 26,797 |
| May | 157.8 | -0.4 | 158.7 | 155.5 | 1,581 | 11,964 |
| Jul | 161.0 | -0.5 | 162.0 | 158.5 | 563 | 16,549 |
| Aug | 161.7 | -0.8 | 163.5 | 160.5 | 115 | 3,413 |
| Total | | | | | 32,848 | 127,671 |

■ POTATOES LIFFE (20 tonnes; £ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 233.5 | -86.5 | - | - | - | - |
| Apr | 305.5 | -5.5 | 313.0 | 305.0 | [illegible] | 2,032 |
| May | 318.5 | -5.5 | - | - | - | - |
| Jun | 328.5 | -5.5 | - | - | - | - |
| Nov | 85.0 | - | - | - | - | - |
| Total | | | | | 92 | 2,032 |

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 870 | -15 | 875 | 870 | 59 | 164 |
| Jan | 860 | -19 | 879 | 855 | 50 | 634 |
| Apr | 940 | -10 | 950 | 940 | 32 | 534 |
| Jul | 840 | -5 | 840 | 835 | 47 | 396 |
| Total | | | | | 219 | 2,392 |

| | Close | Prev |
|---|---|---|
| BFI | 917 | 925 |

### PULP AND PAPER

■ POLPEX OMLX (US$; 24 air dry tons)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 404.00 | -2.00 | - | - | - | 226 |
| Mar | 427.00 | - | 428.00 | 426.00 | 10 | 417 |
| Total | | | | | 10 | 677 |

FUTURES DATA

*All futures data supplied by CMS.*

**Wool** from Mallett & Co

Prices in primary markets are generally a little easier, but changes are erratic and currency factors and Christmas make it difficult to work out trends. In Australia, wool industry organisations have been undermined by a no-confidence vote from wool growers, resignations of the AWRAP board and the Wool Council president, and government decisions to appoint a new committee of enquiry into wool industry problems as well as new officials, all aimed at providing a more commercial direction. Australia's eastern market indicator closed at 507 cents, down 5 in the week; the NZ indicator was 414 cents, up 1.

### SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 845 | +5 | 849 | 842 | 365 | 815 |
| Mar | 985 | +1 | 998 | 984 | 3,010 | 52,058 |
| May | 1004 | +1 | 1015 | 1004 | 825 | 27,390 |
| Jul | 1021 | +1 | 1030 | 1020 | 442 | 11,584 |
| Sep | 1037 | -1 | 1040 | 1035 | 808 | 27,828 |
| Dec | 1060 | -3 | 1071 | 1064 | 281 | 12,792 |
| Total | | | | | 5,711 | 146,080 |

■ COCOA CSCE (10 tonnes; $/tonnes)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 1464 | -4 | 1463 | 1452 | 43 | 532 |
| Mar | 1484 | -1 | 1500 | 1476 | 5,479 | 41,088 |
| May | 1507 | - | 1523 | 1500 | 403 | 12,279 |
| Jul | 1530 | - | 1541 | 1533 | 43 | 2,981 |
| Sep | 1552 | -1 | 1563 | 1546 | 189 | 3,872 |
| Dec | 1581 | -1 | 1595 | 1590 | 105 | 5,428 |
| Total | | | | | 6,157 | 70,418 |

■ COCOA (ICCO) (SDR's/tonne)

| | | Price | Prev. day |
|---|---|---|---|
| Dec 2 | | | |
| Daily | | 1131.23 | 1125.52 |

■ COFFEE LIFFE (5 tonnes; $/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 1833 | +55 | 1835 | 1782 | 3,782 | 21,720 |
| Mar | 1720 | +30 | 1725 | 1690 | 2,888 | 14,321 |
| May | 1686 | +31 | 1688 | 1660 | 904 | 6,317 |
| Jul | 1663 | +29 | 1660 | 1638 | 137 | 1,281 |
| Sep | 1643 | +29 | 1640 | 1628 | 100 | 821 |
| Nov | 1623 | +29 | 1623 | 1623 | 6 | 290 |
| Total | | | | | 7,795 | 43,390 |

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 115.50 | +2.45 | 117.00 | 114.75 | 198 | 728 |
| Mar | 112.50 | +2.20 | 113.50 | 111.00 | 6,039 | 18,698 |
| May | 112.80 | +1.90 | 113.50 | 111.50 | 486 | 5,496 |
| Jul | 113.70 | +1.80 | 114.00 | 112.80 | 134 | 2,249 |
| Sep | 114.70 | +1.80 | 114.50 | 113.75 | 40 | 1,510 |
| Dec | 116.50 | +1.40 | 115.80 | 116.00 | 10 | 779 |
| Total | | | | | 6,904 | 29,476 |

■ COFFEE (ICO) (US cents/pound)

| | | Prev. day |
|---|---|---|
| Dec 2 | | |
| Comp. daily | 97.68 | 97.22 |
| 15 day average | 97.08 | 97.20 |

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 244.8 | - | 246.4 | 243.4 | 884 | 20,421 |
| May | 245.8 | - | 246.5 | 245.0 | 883 | 5,333 |
| Aug | 245.8 | - | 247.4 | 244.9 | 746 | 3,874 |
| Oct | 239.5 | - | 240.3 | 238.8 | 225 | 3,693 |
| Dec | 240.7 | - | 242.6 | 240.5 | 306 | 310 |
| Mar | 245.3 | +2.5 | 244.5 | 244.5 | - | 643 |
| Total | | | | | 2,335 | 34,379 |

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 8.29 | -0.01 | 8.38 | 8.20 | 7,231 | 85,858 |
| May | 8.36 | - | 8.44 | 8.30 | 1,207 | 18,528 |
| Jul | 8.40 | +0.01 | 8.44 | 8.33 | 909 | 17,433 |
| Oct | 8.62 | +0.04 | 8.62 | 8.53 | 529 | 13,965 |
| Mar | 8.79 | +0.05 | 8.79 | 8.77 | 339 | 6,854 |
| May | 8.84 | +0.04 | 8.85 | 8.81 | 123 | 1,886 |
| Total | | | | | 10,303 | 147,116 |

■ COTTON NYCE (50,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 60.60 | -0.70 | 62.00 | 60.10 | 122 | 174 |
| Mar | 63.07 | -0.83 | 64.50 | 63.00 | 7,746 | 38,186 |
| May | 63.85 | -0.75 | 65.10 | 63.70 | 1,882 | 15,107 |
| Jul | 64.50 | -0.85 | 65.70 | 64.40 | 746 | 11,283 |
| Oct | 66.25 | +0.10 | 66.00 | 65.50 | 19 | 1,048 |
| Dec | 66.00 | -0.90 | 67.00 | 65.80 | 344 | 11,237 |
| Total | | | | | 11,455 | 77,738 |

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 117.20 | -0.25 | 117.45 | 116.70 | 651 | 13,290 |
| Mar | 119.45 | -0.20 | 119.60 | 119.00 | 592 | 6,787 |
| May | 121.35 | -0.10 | 121.00 | 121.00 | 4 | 1,681 |
| Jul | 122.75 | -0.20 | - | - | 1 | 1,535 |
| Sep | 122.75 | -0.20 | - | - | 30 | 181 |
| Nov | 122.75 | -0.20 | - | - | 53 | 474 |
| Total | | | | | 2,713 | 34,166 |

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

### INDICES

■ Reuters (Base: 18/9/31 = 100)

| Dec 3 | Dec 2 | month ago | year ago |
|---|---|---|---|
| 1470.5 | 1470.2 | 1491.5 | 1795.5 |

■ CRB Futures (Base: 1967 = 100)

| Dec 2 | Dec 1 | month ago | year ago |
|---|---|---|---|
| 195.96 | 195.42 | - | - |

■ GSCI Spot (Base: 1970 = 100)

| Dec 2 | Dec 1 | month ago | year ago |
|---|---|---|---|
| 133.02 | 133.13 | 148.25 | 188.94 |

LME WAREHOUSE STOCKS (tonnes)

| | | | |
|---|---|---|---|
| Aluminium | +200 | to | 595,400 |
| Aluminium alloy | -40 | to | 93,080 |
| Copper | +72,850 | to | 527,975 |
| Lead | - | to | 105,750 |
| Nickel | -72 | to | 62,538 |
| Zinc | +3,725 | to | 371,850 |
| Tin | -125 | to | 7,330 |

### MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

| | Sett Price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 62.225 | +0.150 | 62.300 | 61.900 | 8,638 | 19,021 |
| Feb | 62.125 | -0.025 | 62.450 | 61.975 | 8,740 | 40,592 |
| Apr | 64.275 | -0.425 | 64.850 | 64.250 | 2,292 | 23,366 |
| Jun | 63.275 | -0.250 | 63.650 | 63.250 | 1,480 | 12,302 |
| Aug | 63.525 | - | 63.950 | 63.600 | 932 | 7,800 |
| Oct | 66.450 | - | 66.550 | 66.300 | 304 | 2,211 |
| Total | | | | | 18,386 | 105,678 |

■ LEAN HOGS CME (40,000lbs; cents/lbs)

| | Sett Price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Dec | 28.370 | -1.075 | 28.250 | 28.200 | 5,107 | 9,629 |
| Feb | 37.050 | -0.725 | 37.975 | 36.900 | 4,480 | 17,004 |
| Apr | 40.600 | -0.675 | 41.650 | 40.450 | 1,629 | 7,849 |
| Jun | 50.950 | -0.625 | 51.700 | 50.750 | 807 | 4,751 |
| Jul | 52.100 | -1.175 | 53.400 | 52.050 | 396 | 2,224 |
| Aug | 52.075 | -1.175 | 53.400 | 52.025 | 369 | 2,360 |
| Total | | | | | 12,884 | 46,022 |

■ PORK BELLIES CME (40,000lbs; cents/lbs)

| | Sett Price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Feb | 44.750 | -0.850 | 46.750 | 44.300 | 900 | 4,309 |
| Mar | 44.450 | -0.925 | 45.600 | 44.375 | 66 | 723 |
| May | 46.000 | -0.400 | 46.700 | 46.000 | 15 | 455 |
| Jul | 47.100 | -0.450 | 47.750 | 47.300 | 14 | 135 |
| Total | | | | | 994 | 5,716 |

### LONDON TRADED OPTIONS

| Strike price $ tonne | Calls | | Puts | |
|---|---|---|---|---|
| ■ ALUMINIUM (99.7%) LME | Jan | Apr | Jan | Apr |
| 1250 | 37 | 11 | 63 | 37 |
| 1300 | 12 | 36 | 39 | 63 |
| 1350 | 2 | 78 | 23 | 95 |
| ■ COPPER (Grade A) LME | Jan | Apr | Jan | Apr |
| 1500 | 123 | 1 | 180 | 15 |
| 1600 | 42 | 19 | 91 | 44 |
| 1700 | 6 | 82 | 45 | 95 |
| ■ COFFEE LIFFE | Jan | Mar | Jan | Mar |
| 1650 | 188 | 117 | 2 | 47 |
| 1700 | 139 | 92 | 6 | 72 |
| 1750 | 98 | 74 | 13 | 104 |
| ■ COCOA LIFFE | Dec | Mar | Dec | Mar |
| 950 | 25 | 51 | 1 | 16 |
| 975 | 3 | 36 | 3 | 26 |
| 1000 | 1 | 26 | 25 | 40 |
| ■ BRENT CRUDE IPE | Jan | Feb | Jan | Feb |
| 1000 | - | - | 19 | - |
| 1050 | 45 | - | 41 | 60 |
| 1100 | 28 | 68 | - | - |

### LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

| | | +or- |
|---|---|---|
| Dubai | $10.09-0.19x | +0.41 |
| Brent Blend (dated) | $10.04-0.08 | +0.42 |
| Brent Blend (Jan) | $10.57-0.61 | +0.35 |
| W.T.I. | $11.95-1.93x | +0.45 |
| ■ OIL PRODUCTS NWE prompt delivery CIF (tonne) | | |
| Premium Gasoline | $117-119 | +1 |
| Gas Oil | $95-96 | +3 |
| Heavy Fuel Oil | $54-57 | |
| Naphtha | $113-115 | -0.5 |
| Jet fuel | $109-112 | +3.5 |
| Diesel | $105-106 | +5 |
| ■ NATURAL GAS (Pence/therm) | | |
| Bacton (Jan) | 17.05-17.15 | +0.10 |

*Petroleum Argus. Tel. London (0171) 359 8792*

■ OTHER

| | | |
|---|---|---|
| Gold (per troy oz)♣ | $292.55 | -1.30 |
| Silver (per troy oz)♣ | 474.50c | -13.0 |
| Platinum (per troy oz.) | $346.00 | -0.50 |
| Palladium (per troy oz.) | $271.50 | +0.50 |
| Copper | 76.0c | |
| Lead (US prod.) | 45.00c | |
| Tin (Kuala Lumpur) | 19.93r | |
| Tin (New York) | 254.5 | |
| Cattle (live weight) | 84.65p | +0.95* |
| Sheep (live weight) | 60.84p | +0.50* |
| Pigs (live weight)† | 47.96p | -0.32* |
| Lon. day sugar (raw) | $202.40 | +0.40 |
| Lon. day sugar (wte) | $244.00 | +2.50 |
| Barley (Eng. feed) | Unq | |
| Maize (US No3 Yellow) | £169.00 | |
| Wheat (US Dark North) | Unq | |
| Rubber (Jan)♥ | 49.25p | |
| Rubber (Feb)♥ | 49.75p | |
| Rubber (KL RSS No1) | 264.00m | -3.50 |
| Coconut Oil (Phil)§ | 762.5y | +2.5 |
| Palm Oil (Malay.)§ | 637.5 | |
| Copra (Phil)§ | $475.0y | |
| Soyabeans (US) | 156.0y | |
| Cotton Outlook 'A' Index | 55.95 | +0.05 |
| Wooltops (64s Super) | 315p | |

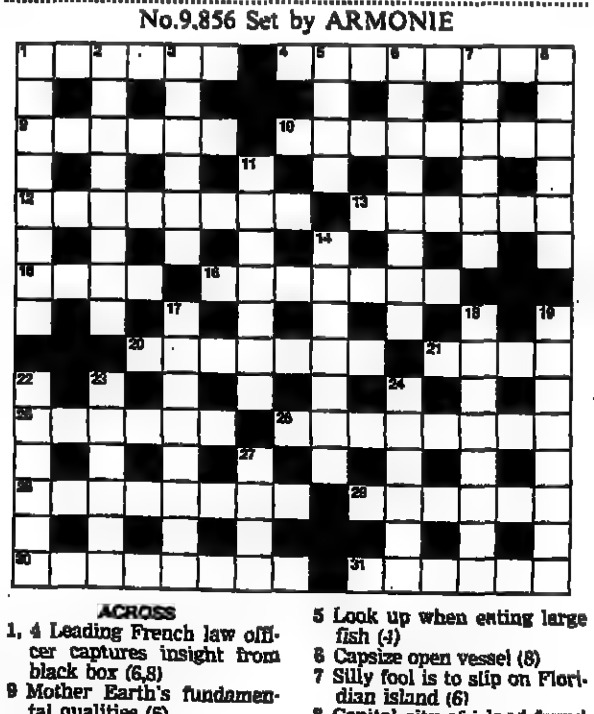
£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Sep/Oct. x Jan. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on sum of pigs sold.

JOTTER PAD

For solutions to today's crossword call 0891 430060. Calls cost 50p a minute.

## CROSSWORD

No.9,856 Set by ARMONIE



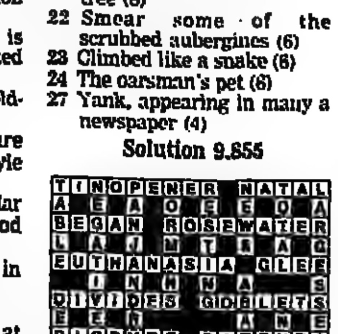
ACROSS

1, 4 Leading French law officer captures insight from black box (6,8)
9 Mother Earth's fundamental qualities (6)
10 Tree, marshal finds on island (8)
12 Girl gets catalogue from chronicler (8)
13 Pay heed to a bike race's finish (6)
15 Student with information about the valley (4)
16 Saw most of a book of the book of books (7)
21, 20 Battered wife gets flowers from film star (4,7)
25 Get money from decryption of US code (6)
26 This type of pancake is wrong – every one rejected (8)
28 Moral tale of a parrot holding the stage (8)
29 Royalist leaders capture commanders in great style (6)
30 Playful repartee is popular after disagreeable period (8)
31 Remove the obstruction in the river (6)

DOWN

1 Black belt has attempt at holding up supporter in dance (8)
2 At home, looked after fiancé (8)
3 Cause distress to the French race (6)
5 Look up when eating large fish (4)
6 Capsize open vessel (8)
7 Silly fool is to slip on Floridian island (6)
8 Capital city of island found in Hardy novel (6)
11 It's normally like a straight-edge (2,1,4)
14 Novel hero – one with vehicle to cultivate the earth (7)
17 Vehicle to cultivate the earth moving to an old part of Wales (8)
18 Force speculator to have nap (8)
19 Doctor Ray comes for the tree (8)
22 Smear some of the scrubbed aubergines (6)
23 Climbed like a snake (6)
24 The oarsman's pet (6)
27 Yank, appearing in many a newspaper (4)

Solution 9,855



● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

# OFFSHORE AND OVERSEAS

## BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd

Prices for dealing December 3

Jupiter Asset Management (Bermuda) Ltd

Newport Investment Management

Orion Fund Limited

## BERMUDA (REGULATED)(**)

## CAYMAN ISLANDS (REGULATED)(**)

MFS Meridian Funds

Marshall Wace Asset Management Limited

Masters International Advisors

Montgomery Emerging Markets Fund Ltd

Morgan Stanley Offs Advisory Mortgage Fd Inc

National Investment Trust Company Ltd

North Atlantic Management Co Ltd

Olympus Capital Management Ltd

Omega Overseas Partners Ltd

Opportunity Fund (z)

Orion Capital Advisors Ltd

The Osprey Group Of Funds

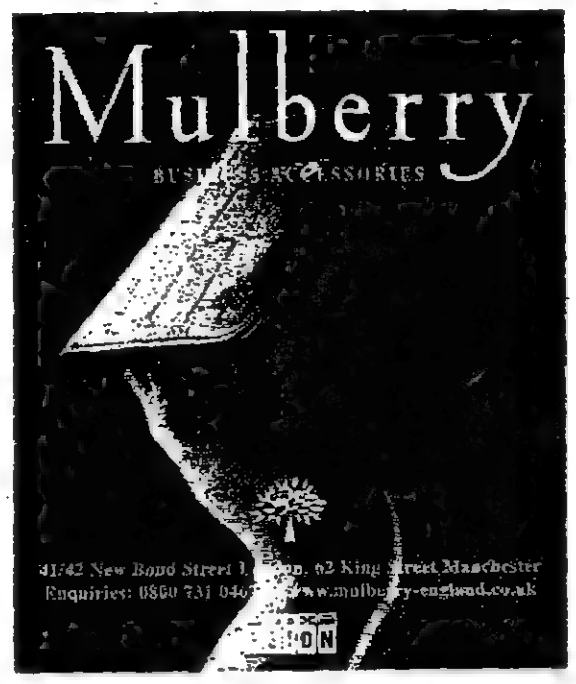
Pacific & General Investments Inc

Pakistan Fund

## GUERNSEY (FSA RECOGNISED)

## GUERNSEY (REGULATED)(**)

## IRELAND (FSA RECOGNISED)



## IRELAND (REGULATED)(**)

## ISLE OF MAN (FSA RECOGNISED)

## ISLE OF MAN (REGULATED)(**)

## JERSEY (FSA RECOGNISED)

Offshore Funds and Insurances

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Prudential Fund Managers (Jersey) Ltd

Royal Bank of Scotland Fd Mgrs (Jersey) Ltd

Royal Bank of Scotland International Ltd

Aberdeen Fund Mgrs (Luxembourg) Ltd (x)

American Phoenix Investment Portfolios (p)

Foreign & Colonial Portfolios Fd Sicav(a)

Framlington International Portfolios

Mercury Asset Management - Contd.

## JERSEY
(REGULATED)(**)

## LUXEMBOURG
(REGULATED)(**)

ACM Offshore Funds

Credit Suisse Asset Mgmt Funds

MFS American Funds - Contd.

Merrill Lynch Asset Management

UBS AG

## OFFSHORE INSURANCES

## LUXEMBOURG
(FSA RECOGNISED)

هكذا من الاصل

# FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) ...

Equity Fund Managers

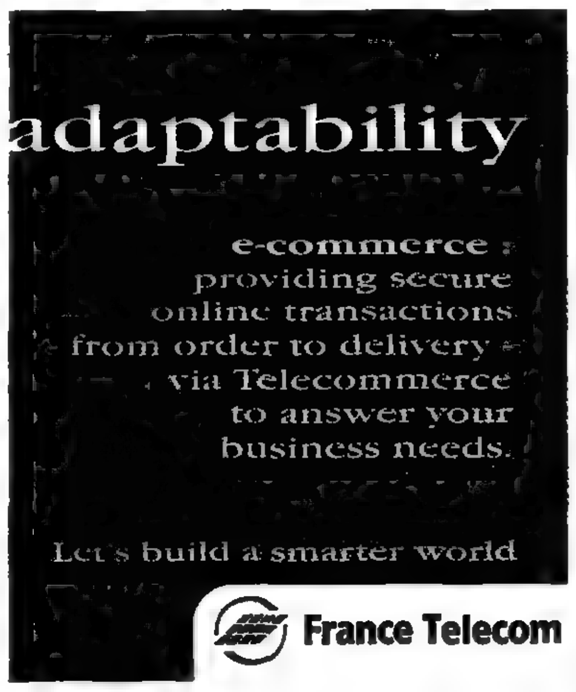
Premier Life

Royal & Sun Alliance Intl Financial Srvs

Friends Provident International

Generali International Limited

OTHER OFFSHORE FUNDS



# LONDON SHARE SERVICE

## ALCOHOLIC BEVERAGES

## BANKS, RETAIL

## BREWERIES, PUBS & REST

## BUILDING MATS. & MERCHANTS

## CHEMICALS

## CONSTRUCTION

## CONSTRUCTION - Continued

## DISTRIBUTORS

## DIVERSIFIED INDUSTRIALS

## ELECTRICITY

## ELECTRONIC & ELECTRICAL EQPT

## ENGINEERING

## ENGINEERING - Continued

## ENGINEERING - Continued

## ENGINEERING, VEHICLES

## EXTRACTIVE INDUSTRIES

## FOOD PRODUCERS

## FOOD PRODUCERS - Continued

## GAS DISTRIBUTION

## HEALTH CARE

## HOUSEHOLD GOODS & TEXT

## INSURANCE

## INSURANCE - Continued

## INVESTMENT TRUSTS

## INVESTMENT TRUSTS - Continued

## INV TRUSTS SPLIT CAPITAL

# LONDON SHARE SERVICE

## OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices

[illegible]

## INVESTMENT COMPANIES

[illegible]

## LEISURE & HOTELS

[illegible]

## LIFE ASSURANCE

[illegible]

## MEDIA

[illegible]

## MEDIA - Continued

[illegible]

## OIL EXPLORATION & PRODUCTION

[illegible]

## OIL, INTEGRATED

[illegible]

## OTHER FINANCIAL

[illegible]

## PAPER, PACKAGING & PRINTING

[illegible]

## PHARMACEUTICALS

[illegible]

## PROPERTY

[illegible]

## PROPERTY - Continued

[illegible]

## PROPERTY - Continued

[illegible]

## RETAILERS, FOOD

[illegible]

## RETAILERS, GENERAL

[illegible]

## RETAILERS, GENERAL - Continued

[illegible]

## SUPPORT SERVICES

[illegible]

## SUPPORT SERVICES - Continued

[illegible]

## TELECOMMUNICATIONS

[illegible]

## TOBACCO

[illegible]

## TRANSPORT

[illegible]

## TRANSPORT - Continued

[illegible]

## WATER

[illegible]

## AMERICANS

[illegible]

## CANADIANS

[illegible]

## SOUTH AFRICANS

| | Notes | Price | + or - | 52 week high | 52 week low | Volume '000s | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Anglo Am Ind R | | [illegible] | [illegible] | [illegible] | [illegible] | – | [illegible] | [illegible] |
| Barlow R | | [illegible] | [illegible] | [illegible] | [illegible] | – | [illegible] | [illegible] |
| Investec Group | | [illegible] | [illegible] | [illegible] | [illegible] | – | – | – |
| Investec Hldgs | | [illegible] | [illegible] | [illegible] | [illegible] | – | – | – |
| SA Breweries R | | [illegible] | [illegible] | [illegible] | [illegible] | – | [illegible] | [illegible] |
| Standard Bank R | | [illegible] | [illegible] | [illegible] | [illegible] | – | [illegible] | [illegible] |
| Tiger Oats | | [illegible] | [illegible] | [illegible] | [illegible] | – | [illegible] | [illegible] |
| Tongaat-Hulett R | | [illegible] | +13 | [illegible] | [illegible] | – | [illegible] | [illegible] |

## TRADED INDEX SECURITIES

| | Notes | Price | + or - | 52 week high | 52 week low | Volume '000s | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| FTSE 100 TRANS | | [illegible] | — | [illegible] | £47700 | – | – | – |

# AIM

## Alternative Investment Market

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the SE Official list

[illegible]

## AIM - Continued

[illegible]

## GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

[illegible]

- dilution occurs.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- , Indicated dividend yield after pending scrip and/or rights issue
- Merger bid or reorganisation in progress
- Forecast dividend yield: p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1998-99. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1999. K Yield based on prospectus or other official estimates for 1998. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1997-98. R Dividend is paid in whole or part as a FID (Foreign Income Dividend). R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1485 a year for each security shown, subject to the Editor's discretion

### ♣ FT Free Annual Reports Club

You can obtain the current annual/interim report of any companies annotated with the ♣. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports may also be ordered via the Internet at http://www.icbinc.com. All reports will be sent the next working day, subject to availability.

### FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details. Calls are charged at 50p per minute at all times.

An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial advisor and verify financial pricing information obtained via FT Cityline before making any investment decision.

All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy will be sent free on request. Call 0171 873 4378 for more information on FT Cityline.

For Retail Price Index details call 0891 43 0865

### The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

## LONDON STOCK EXCHANGE

# European interest rate cuts trigger rebound

**MARKET REPORT**

By Steve Thompson, UK Stock Market Editor

A surprise round of Europe-wide interest rate cuts, instigated by the Bundesbank and encompassing all 11 single-currency countries, brought much needed respite to a beleaguered London stock market.

Such was the momentum behind London's recovery that the FTSE 100, which had earlier posted its third three-figure decline of the week to date, eventually finished a net 58.9 higher at 5,566.1. That closing gain was in sharp contrast to events earlier in the day that had seen the FTSE 100 extend its recent serious reversal and post a 130-point fall, taking the index back below the 5,400 level.

At its low of the day, the Footsie was down 467 points or 8 per cent on the week and looking vulnerable.

Dealers said the European cuts would almost certainly be followed by another reduction in UK interest rates after next Thursday's meeting of the Bank of England's monetary policy committee.

Even before the European rate cuts were announced there was a growing feeling in London that the latest dismal UK economic news might have provided the committee with the necessary ammunition for it to reduce UK rates for a third time since the autumn.

The latest Chartered Institute of Purchasing Managers survey showed that the weakness of the economy had now spread to the services as well as the manufacturing sector.

And there was no surprise at the Confederation of British Industry's November survey of distributive trades, which said that retail sales volumes were at their weakest level since March 1995.

The economic news was only part of a morning session of almost unremitting gloom in London, where dealers also had to bear the burden of another spate of the profit warnings that have been gradually eroding the market's confidence in analysts' earnings forecasts for next year.

The news from abroad, prior to the euro-zone rate cuts, was equally depressing, with Wall Street retreating on Wednesday as the Dow Jones Industrial Average fell 69 points. There was also renewed talk about problems in Russia, Brazil and other emerging markets.

Wall Street gave no help to London during the afternoon session, however, with the Dow showing a 70-point fall as London closed.

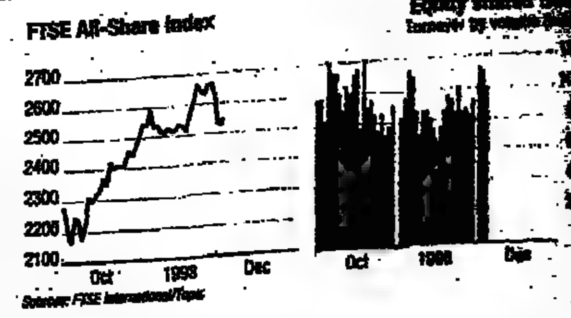
Gains in the leading UK stocks did not influence the rest of the London market. The FTSE 250 settled 47.8 down at 4,756.6 after falling 53.7, while the FTSE SmallCap closed 15.4 down at 2,021.4 after hitting a low of 2,019.7.

Noting the euro-zone rate cuts and the chances of another cut in the UK after next week's monetary policy committee meeting, Corey Miller at Paribas said: "A 25 basis point reduction in rates looks even more likely after today's survey news, which is becoming increasingly more important.

"We are staying with our 6,100 end-year FTSE 100 forecast."

Turnover reached 1.02bn shares by the 6pm count, and featured more intense activity in BP and Shell. That was the third consecutive day that volume had breached the 1bn mark.

**FTSE All-Share Index**



Source: FTSE International/Tsie

**Equity shares traded**

**Indices and ratios**

| | | | | | |
|---|---|---|---|---|---|
| FTSE 100 | 5366.1 | -58.9 | FT 30 | 3369.9 | -36.1 |
| FTSE 250 | 4756.6 | -47.8 | FTSE Non-Fins p/e | 21.12 | 20.97 |
| FTSE 350 | 2638.0 | +19.0 | FTSE 100 Fut Dec | 5569.5 | +78.0 |
| FTSE All-Share | 2547.35 | +16.55 | 10 yr Gilt yield | 4.71 | 4.73 |
| FTSE All-Share yield | 3.09 | 3.10 | Long gilt/equity yld ratio | 1.49 | 1.49 |

**Best performing sectors**

1 Electronic & Elect Equip +7.8
2 Oil Exploration & Prod +3.8
3 Banks Retail +1.9
4 Food Producers +1.8
5 Pharmaceuticals +1.7

**Worst performing sectors**

1 Alcohol. Beverages -2.6
2 Retailers Food -1.1
3 Health Care -1.3
4 Oil, Integrated -1.8
5 Paper Pckg & Printing -1.8

# Shell dips in heavy turnover

**COMPANIES REPORT**

By Peter John, Martin Brice and Joel Kibazo

Shell jumped to the top of the turnover table yesterday with the closing volume representing more than 5 per of the day's total.

Dealers said that the figure of 52m shares included the shifting of a block of 17m shares, allegedly by a Dutch hedge fund via Dresdner Kleinwort Benson.

The shares ended a net 6 lower at 333p and were closely followed in volume terms by BP, which saw 35m traded and fell 13 to 861p.

Brokers continued to slice back their recommendations on Lasmo with one of the biggest and last remaining UK investment banks removing the final vestiges of support and turning officially neutral. However, the shares recovered 7¼ to 127p after two days of heavy selling.

The teasing statement by GEC over a link or merger with another international defence company prompted a buying spree as investors took the view that they could not afford to be short of the stock.

GEC was careful not to be specific but the confidence being exuded by the company at meetings left analysts with the distinct impression that it was in the final stages of a move that would spark consolidation among European defence groups. Interim results were seen as good, but it was hopes of a deal that allowed the stock to increase its premium to the sector.

GEC was the best performer in the FTSE 100 as the shares gained more than 10 per cent, or 54 to 505p, with 13m traded. This is strongly up on the 338p it touched at the start of the year but well below the peak of 577¼p when hopes of defence industry consolidation were at their height.

Possible partners being mooted were Thomson or Alcatel of France.

Elsewhere among manufacturers, the profits warning from Boeing continued to cast its shadow.

Among Footsie stocks Rolls-Royce fell 8 to 227p, and in the MidCap FKI declined 10 to 136p and IMI 10½ at 245p.

In a move that has become all to familiar for market watchers, Great Universal Stores joined the growing list of retail groups that have been experiencing tough trading conditions.

A cautious trading statement as the group reported a decline in interim figures sent the shares tumbling. The company pointed to difficult trading at Argos, the retailer it acquired earlier this year following a bitter bid battle, and the shares closed 25 down at 549p.

British Telecommunications shrugged off a downgrade and recovered from an early retreat to close 24½ up at 817½p.

Deutsche Morgan Grenfell yesterday removed the stock from its "Focus" list although it retains an "outperform" stance on the shares. DMG said the stock had outperformed the Eurotop index by 40 per cent over the last 12 months and said: "We see less spectacular relative upside in 1999."

Two regulatory reports are expected within the next two weeks. The shares rose 24½ to 817½p following trade of 10m.

A big seller was reported in mobile telephones group Vodafone. Turnover of 16m included a single trade of 4.7m done at 821p. The shares closed 17 off at 839p.

Scottish Power surged in response to speculation early in the day that Duke Energy of the US was poised to pay 850p a share for the company.

However, the stock came off the top as analysts said there was no prospect of a bid because the company is protected by a government "golden share". The shares closed 15 better at 672p.

Thames Water jumped 34 to £11.63 ahead of a presentation to analysts. And South Staffordshire Water, which has been visiting analysts and discussing the potential of its non-regulated business, lifted 32½ to £37.12½.

**Bunzl slips**

Bunzl, the plastics and paper group, lost 3½ to 254½p as Charterhouse Tilney trimmed its full-year profits forecasts for the company. The broker came down by £2m to £130m for the current year and £7.5m to £137m for next year. The cut came partly in response to the recent restructuring announcement in Boeing.

Nevertheless, Charterhouse retains a "buy" recommendation and West LB Panmure, Bunzl's broker, was yesterday predicting a re-rating for the stock.

It was announced that Bunzl is to move from the lowly rated paper and packaging sector to the punchier business support services group.

"This is a good company which deserves to be on a market rating. It will grow at least in line with UK plc, if not better," said Francesca Raleigh of Panmure.

Fears that Railtrack would suffer ahead of the announcement by the Office of the Rail Regulator on track access charges added to its underperformance.

It was one of the worst performers in the FTSE 100 as it declined 73 to £15.89. Merrill Lynch shifted its short-term stance on the stock from "accumulate" to "neutral".

A couple of stark profits warnings took the sheen off a market keen to extend itself.

Reed International dropped 10½ to 443p in response to a surprise statement on future earnings. Just as brokers were tentatively wondering if it was time to suggest the stock might be undervalued, Reed said its 1998 adjusted profits would fall 6 per cent to about £770m. That compared with analysts' current year consensus profit forecast of £810m.

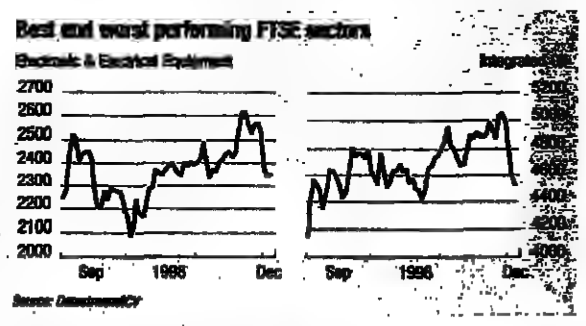
Louise Barton at Henderson Crosthwaite says profits will be flat next year and has come down from £840m to £780m. But she remains a buyer and highlights the strength of the overall electronic publishing strategy.

Meanwhile, condom and medical gloves group London International tumbled 57 to 130½p as a warning prompted analysts to slash full-year forecasts by up to 20 per cent.

Royal Bank of Scotland shot back to life in response to the latest set of figures.

Neil Baker of Dresdner Kleinwort Benson, a keen RBoS supporter, boosted his current year forecast by 9 per cent to £1,120m and his earnings per share forecast by 17 per cent to 80.6p. "Royal Bank is one of the few UK banks still showing premium growth and yet it is trading at a 36 per cent discount to the market." The shares rose 62 to 932p.

**Best and worst performing FTSE sectors**



Source: Datastream/ICV

**FT 30 INDEX**

| | Dec 3 | Dec 2 | Dec 1 | Nov 30 | Nov 27 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| FT 30 | 3369.9 | 3341.8 | 3351.3 | 3449.7 | 3507.5 | 3264.4 | 4004.9 | 2790.6 |
| Ord. div. yield | 3.11 | 3.15 | 3.14 | 3.05 | 3.00 | 3.47 | 4.22 | 2.72 |
| P/E ratio net | 21.54 | 21.32 | 21.35 | 22.00 | 22.38 | 21.18 | 25.41 | 15.80 |
| P/E ratio nil | 21.46 | 21.23 | 21.28 | 21.91 | 22.29 | 20.89 | 25.16 | 15.71 |

FT 30 since compilation: high 4004.9 7/15/98; low 49.4 6/26/40. Base Date: 1/7/35.

FT 30 hourly changes

| 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | High | Low |
|---|---|---|---|---|---|---|---|---|---|
| 3341.8 | 3289.7 | 3318.0 | 3332.2 | 3340.9 | 3347.1 | 3354.2 | 3378.8 | 3388.8 | 3277.8 |

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**STOCK MARKET TRADING DATA**

| | Dec 3 | Dec 2 | Dec 1 | Nov 30 | Nov 27 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ bargains | 64,100 | 67,098 | 74,501 | 67,211 | 59,041 | 38,338 |
| Equity turnover (£m)† | - | n/a | 3085.2 | 2823.7 | 2774.9 | 1315.9 |
| Equity bargains† | - | n/a | 56,420 | 56,587 | 51,500 | 20,301 |
| Shares traded (m)† | - | n/a | 826.7 | 786.4 | 791.8 | 431.0 |
| Total market bargains‡ | - | n/a | 73,348 | 65,862 | n/a | - |
| Total turnover (£m)‡ | - | n/a | 3957.4 | 3425.2 | n/a | - |
| Total shrs traded (m)‡ | 1021.1* | n/a | 1004.3 | 923.9 | n/a | - |
| Tradepoint turnover (£m) | 80.1 | 13.8 | 20.7 | 18.2 | 23.8 | 13.7 |
| Tradepoint shrs traded(m) | 11.5 | 7.7 | 9.4 | 7.8 | 7.3 | 4.7 |

†Excluding intra-market and overseas turnover but including Small turnover. *UK only total in figures. ‡ UK plus intra-market turnover.

■ London market data

| Rises and falls* | | 52 Week highs and lows | | LIFFE Equity options | |
|---|---|---|---|---|---|
| Total Rises | 380 | Total Highs | 35 | Total contracts | 35,507 |
| Total Falls | 1,227 | Total Lows | 114 | Calls | 17,436 |
| Same | 1,301 | | | Puts | 18,071 |

Dec 3 *Data based on Equity shares listed on the London Share Service.

**FUTURES AND OPTIONS**

■ FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 5540.0 | 5507.0 | -41.0 | 5650.0 | 5441.0 | 39027 | [illegible] |
| Mar | 5569.5 | 5554.0 | -42.0 | 5669.5 | 5490.0 | 6253 | 27868 |
| Jun | 5631.0 | 5598.0 | -43.0 | 5631.0 | 5631.0 | 850 | 11680 |

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 4840.0 | 4820.0 | -22.0 | 4840.0 | 4820.0 | 1170 | 3384 |
| Mar | 4893.0 | 4873.0 | -24.0 | 4893.0 | 4893.0 | 720 | 3482 |

■ FTSE 100 INDEX OPTION (LIFFE) (*5568) £10 per full index point

[illegible]

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

**LONDON RECENT ISSUES: EQUITIES**

[illegible]

**FTSE GOLD MINES INDEX**

| | Dec 2 | % chg on day | Dec 1 | Year ago | Gross div yield % | Total return | 52 week High | Low |
|---|---|---|---|---|---|---|---|---|
| Gold Mines Index (26) | 1060.76 | -1.6 | 1077.19 | 972.68 | 1.82 | 1083.70 | 1361.57 | 795.69 |
| ■ Regional indices | | | | | | | | |
| Africa (8) | 1110.73 | -2.6 | 1139.92 | 979.43 | 3.69 | 1117.12 | 1486.94 | 789.63 |
| Australasia (8) | 1212.85 | 1.0 | 1201.13 | 977.63 | 2.50 | 1219.85 | 1600.53 | 818.53 |
| Americas (11) | 984.06 | -1.6 | 991.25 | 992.25 | 0.73 | 965.22 | 1317.41 | 647.89 |

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**FTSE Actuaries Share Indices** — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

[illegible]

■ FTSE Actuaries Industry Sectors

[illegible]

■ Hourly movements

[illegible]

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**TRADING VOLUME**

■ Major Stocks yesterday

[illegible]

Highs & Lows shown on a 52 week basis

# WORLD STOCK MARKETS

## EUROPE

AUSTRIA (Dec 3 / Sch)

BELGIUM/LUXEMBOURG (Dec 3 / Frs.)

CZECH REP (Dec 3 / Koruna)

DENMARK (Dec 3 / Kr)

FINLAND (Dec 3 / Mkk)

FRANCE (Dec 3 / Frs.)

GERMANY (Dec 3 / Dm.)

GREECE (Dec 3 / Drachma)

IRELAND (Dec 3 / Punt)

ITALY (Dec 3 / Lira)

NORWAY (Dec 3 / Krone)

NETHERLANDS (Dec 3 / Fls.)

POLAND (Dec 3 / Zloty)

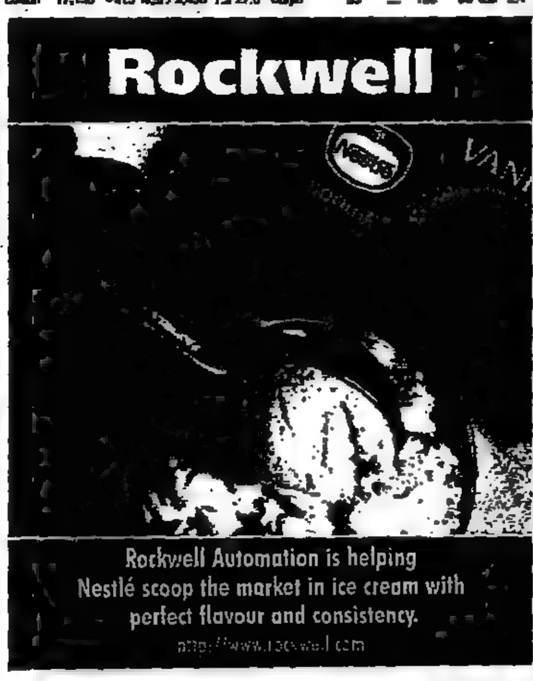
PORTUGAL (Dec 3 / Escudo)

SPAIN (Dec 3 / Pta.)

SWEDEN (Dec 3 / Kronor)

SWITZERLAND (Dec 3 / Frs.)

TURKEY (Dec 3 / TL Lira)



## PACIFIC

JAPAN (Dec 3 / Yen)

HONG KONG (Dec 3 / H.K.$)

INDONESIA (Dec 3 / Rupiah)

MALAYSIA (Dec 3 / MYR)

NEW ZEALAND (Dec 3 / NZ $)

SINGAPORE (Dec 3 / S$)

AUSTRALIA (Dec 3 / Aust$)

SOUTH KOREA (Dec 3 / Won)

TAIWAN (Dec 3 / TW $)

THAILAND (Dec 3 / Baht)

## AMERICAS

CANADA

TORONTO (Dec 3 / Can $)

MONTREAL (Dec 3 / Can $)

MEXICO (Dec 3 / Peso)

## AFRICA

SOUTH AFRICA (Dec 3 / Rand)

## FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

| NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock | WEDNESDAY DECEMBER 2 1998 US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | TUESDAY DECEMBER 1 1998 US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX 52 week High | 52 week Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (76) | 201.58 | 1.8 | 179.91 | 153.57 | 175.33 | 211.93 | 1.3 | 3.44 | 198.38 | 177.97 | 152.89 | 173.06 | 208.29 | 218.96 | 183.85 | 200.83 |
| Austria (22) | 183.90 | 2.6 | 164.13 | 140.10 | 159.85 | 159.84 | 2.5 | 2.18 | 178.95 | 160.54 | 137.91 | 156.11 | 156.00 | 253.73 | 168.45 | 188.74 |
| Belgium (22) | 379.90 | 0.9 | 339.07 | 289.42 | 330.43 | 323.35 | 0.6 | 2.09 | 376.50 | 337.76 | 290.16 | 328.45 | 321.35 | 398.52 | 250.39 | 258.45 |
| Brazil (32) | 162.08 | -0.7 | 144.66 | 123.47 | 140.97 | 358.18 | -0.8 | 2.49 | 163.29 | 146.44 | 125.80 | 142.40 | 360.91 | 289.34 | 102.88 | 233.25 |
| Canada (119) | 195.68 | -1.6 | 174.64 | 149.07 | 170.19 | 217.68 | -1.4 | 1.77 | 198.82 | 178.36 | 153.22 | 173.44 | 220.67 | 248.78 | 159.94 | 213.11 |
| Denmark (34) | 457.68 | 0.3 | 408.46 | 348.67 | 398.07 | 385.93 | 0.0 | 1.77 | 456.08 | 409.15 | 351.48 | 397.87 | 385.75 | 537.38 | 420.12 | 424.64 |
| Finland (26) | 490.72 | 1.7 | 437.97 | 373.84 | 426.81 | 523.79 | 1.4 | 1.74 | 482.60 | 432.94 | 371.92 | 421.00 | 516.74 | 508.46 | 287.58 | 298.89 |
| France (75) | 304.60 | -0.5 | 271.86 | 232.05 | 264.93 | 268.06 | -0.8 | 2.38 | 306.13 | 274.63 | 235.92 | 267.05 | 270.20 | 345.16 | 225.24 | 234.55 |
| Germany (55) | 262.83 | -1.7 | 234.58 | 200.23 | 228.60 | 228.60 | -2.0 | 1.42 | 267.28 | 239.77 | 205.98 | 233.16 | 233.16 | 325.61 | 218.59 | 224.10 |
| Greece (35) | 314.20 | 1.5 | 280.43 | 239.37 | 273.28 | 633.61 | 1.1 | 1.37 | 309.66 | 277.82 | 238.65 | 270.16 | 626.52 | 339.28 | 211.47 | – |
| Hong Kong, China (67) | 309.39 | 1.2 | 276.06 | 235.66 | 269.05 | 307.57 | 1.2 | 4.24 | 305.74 | 274.28 | 235.63 | 266.72 | 304.02 | 399.07 | 196.64 | 373.63 |
| Indonesia (26) | 50.10 | 4.3 | 44.72 | 38.17 | 43.58 | 229.00 | 4.8 | 1.39 | 48.04 | 43.10 | 37.02 | 41.91 | 220.38 | 93.98 | 19.04 | 91.11 |
| Ireland (16) | 495.93 | 2.3 | 442.62 | 377.81 | 431.34 | 470.56 | 2.1 | 2.06 | 484.70 | 434.83 | 373.54 | 422.84 | 460.93 | 560.44 | 384.57 | 384.57 |
| Italy (53) | 159.62 | -0.4 | 142.46 | 121.60 | 138.83 | 197.47 | -0.7 | 1.41 | 160.23 | 143.74 | 123.48 | 139.78 | 198.77 | 184.40 | 109.90 | 110.54 |
| Japan (446) | 99.52 | 1.5 | 89.82 | 75.82 | 86.56 | 75.82 | 0.4 | 0.99 | 98.01 | 87.92 | 75.53 | 85.50 | 75.59 | 109.73 | 76.83 | 109.05 |
| Mexico (29) | 1094.02 | 2.2 | 976.43 | 833.45 | 951.55 | 11912.41 | 1.4 | 2.15 | 1070.39 | 960.17 | 824.85 | 933.69 | 11750.63 | 1863.07 | 787.15 | 1728.72 |
| Netherlands (27) | 461.34 | -1.8 | 411.75 | 351.46 | 401.28 | 397.01 | -2.1 | 2.95 | 469.98 | 421.63 | 362.21 | 410.01 | 405.70 | 562.38 | 391.03 | 411.65 |
| New Zealand (18) | 55.36 | -0.5 | 49.43 | 42.19 | 48.17 | 55.58 | -1.3 | 5.25 | 55.64 | 49.91 | 42.88 | 48.54 | 56.29 | 83.04 | 45.68 | 81.03 |
| Norway (38) | 218.83 | -0.9 | 195.31 | 166.71 | 190.33 | 220.84 | -0.9 | 2.72 | 220.90 | 198.17 | 170.24 | 192.71 | 222.81 | 357.71 | 181.85 | 324.34 |
| Philippines (22) | 85.40 | -1.4 | 76.22 | 65.06 | 74.28 | 186.20 | -2.2 | 0.98 | 86.64 | 77.73 | 66.77 | 75.58 | 189.91 | 105.98 | 42.48 | 84.27 |
| Portugal (18) | 247.18 | -2.1 | 220.61 | 188.31 | 214.99 | 280.50 | -2.4 | 1.15 | 252.52 | 226.54 | 194.61 | 220.29 | 287.50 | 299.39 | 194.13 | – |
| Singapore (41) | 211.40 | 1.4 | 188.68 | 161.05 | 183.87 | 180.45 | 1.5 | 1.97 | 208.50 | 187.12 | 160.74 | 181.98 | 158.02 | 264.82 | 102.45 | 256.08 |
| South Africa (40) | 198.43 | -0.4 | 175.32 | 149.65 | 170.85 | 242.80 | -0.5 | 3.84 | 197.18 | 176.88 | 151.95 | 172.00 | 243.91 | 346.20 | 151.55 | 271.40 |
| Spain (30) | 372.01 | -0.6 | 332.03 | 283.41 | 323.57 | 401.30 | -1.0 | 1.88 | 374.85 | 336.28 | 288.89 | 327.01 | 405.52 | 417.73 | 286.90 | 270.81 |
| Sweden (46) | 496.38 | -0.4 | 443.03 | 378.15 | 431.74 | 592.83 | -0.7 | 1.97 | 498.57 | 447.27 | 384.24 | 434.94 | 597.25 | 628.19 | 378.18 | 490.40 |
| Switzerland (30) | 393.55 | -0.2 | 351.25 | 299.82 | 342.30 | 334.43 | -0.5 | 1.27 | 394.20 | 353.64 | 303.80 | 343.89 | 336.18 | 430.48 | 307.73 | 329.32 |
| Thailand (35) | 21.61 | -4.6 | 19.29 | 16.46 | 18.80 | 30.25 | -4.9 | 3.13 | 22.60 | 20.36 | 17.49 | 19.79 | 31.82 | 33.84 | 8.15 | 22.74 |
| United Kingdom (208) | 355.29 | 0.0 | 317.10 | 270.66 | 309.02 | 317.10 | -0.5 | 3.10 | 355.37 | 318.80 | 273.87 | 310.01 | 318.88 | 401.84 | 307.96 | 328.05 |
| USA (620) | 480.26 | -0.3 | 428.64 | 365.86 | 417.72 | 480.26 | -0.3 | 1.35 | 481.55 | 432.01 | 371.12 | 420.00 | 481.55 | 490.63 | 378.74 | 395.70 |
| Americas (800) | 427.42 | -0.3 | 381.47 | 325.61 | 371.75 | 362.48 | -0.3 | 1.38 | 428.72 | 384.61 | 330.40 | 374.00 | 369.58 | 437.03 | 343.40 | 350.45 |
| Europe (737) | 335.00 | -0.5 | 298.98 | 255.21 | 291.37 | 303.21 | -0.8 | 2.22 | 338.58 | 301.95 | 259.40 | 298.63 | 305.77 | 386.24 | 279.29 | 285.26 |
| Eurobloc (346) | 96.79 | -0.8 | 86.38 | 73.73 | 84.18 | 91.12 | -1.1 | 1.89 | 97.62 | 87.57 | 75.23 | 85.16 | 92.17 | 113.28 | 81.53 | – |
| Nordic (146) | 459.29 | 0.1 | 409.92 | 349.90 | 399.46 | 451.95 | -0.1 | 1.98 | 458.89 | 411.49 | 353.58 | 408.14 | 452.64 | 535.97 | 360.04 | 424.46 |
| Pacific Basin (731) | 107.29 | 1.5 | 95.76 | 81.74 | 93.32 | 84.09 | 0.5 | 1.54 | 105.72 | 94.84 | 81.47 | 82.23 | 83.56 | 119.48 | 82.80 | 113.89 |
| Euro-Pacific (1463) | 201.86 | 0.1 | 180.16 | 153.78 | 175.57 | 166.11 | -0.4 | 2.01 | 201.63 | 180.88 | 155.39 | 175.89 | 166.82 | 220.19 | 166.09 | 185.22 |
| North America (739) | 461.06 | -0.3 | 411.50 | 351.24 | 401.01 | 462.20 | -0.3 | 1.37 | 462.51 | 414.92 | 355.44 | 403.46 | 463.62 | 489.20 | 367.38 | 384.17 |
| Europe Ex. UK (529) | 313.42 | -0.7 | 279.74 | 238.77 | 272.61 | 287.29 | -1.0 | 1.79 | 315.58 | 283.11 | 243.21 | 275.39 | 290.13 | 388.32 | 250.60 | 255.50 |
| Europe Ex. Eurobloc (391) | 91.59 | -0.1 | 81.74 | 69.77 | 79.66 | 90.38 | -0.5 | 2.57 | 91.65 | 82.22 | 70.63 | 79.95 | 90.85 | 103.93 | 77.40 | – |
| Europe Ex. UK Ex. Eurobloc (183) | 93.82 | -0.1 | 83.74 | 71.47 | 81.60 | 89.53 | -0.5 | 1.52 | 93.96 | 84.29 | 72.41 | 81.97 | 89.96 | 109.21 | 75.18 | – |
| Pacific Ex. Japan (285) | 182.25 | 1.3 | 162.68 | 138.84 | 158.52 | 185.27 | 1.1 | 3.65 | 179.96 | 161.44 | 138.69 | 156.98 | 183.28 | 217.77 | 128.26 | 209.22 |
| World Ex. Eurobloc (1962) | 100.15 | 0.0 | 89.39 | 76.30 | 87.11 | 99.04 | -0.2 | 1.65 | 100.13 | 89.83 | 77.17 | 87.35 | 99.25 | 108.16 | 83.03 | – |
| World Ex. US (1688) | 201.72 | 0.1 | 180.04 | 153.67 | 175.45 | 171.09 | -0.5 | 2.02 | 201.69 | 180.88 | 155.39 | 175.89 | 171.87 | 221.91 | 165.95 | 180.00 |
| World Ex. UK (2100) | 285.35 | -0.1 | 254.68 | 217.38 | 248.19 | 254.77 | -0.3 | 1.51 | 285.72 | 256.32 | 220.20 | 249.25 | 255.64 | 298.02 | 234.56 | 248.80 |
| World Ex. Japan (1862) | 387.06 | -0.3 | 345.46 | 294.87 | 336.65 | 375.65 | -0.4 | 1.75 | 388.29 | 348.39 | 299.23 | 338.72 | 377.30 | 411.29 | 318.78 | 331.94 |
| The World Index (2308) | 291.41 | -0.1 | 260.09 | 222.00 | 253.48 | 280.63 | -0.4 | 1.87 | 291.77 | 261.75 | 224.85 | 254.53 | 281.57 | 306.58 | 242.88 | 255.44 |

## Emerging markets:

### IFC investable indices

Dollar terms

| Dec 2 Market | | Day's % chg | % Chg since 31/12/97 |
|---|---|---|---|
| Latin America | | | |
| Argentina | 287.44 | -1.8 | -32.3 |
| Brazil | 330.61 | -1.2 | -31.5 |
| Chile | 478.57 | -3.8 | -25.3 |
| Colombia | 443.98 | +2.2 | -48.2 |
| Mexico | 464.93 | +2.0 | -41.0 |
| Peru | 151.43 | -0.2 | -31.6 |
| Venezuela | 380.19 | +2.3 | -58.5 |
| East Asia | | | |
| China | 27.87 | +0.8 | -49.6 |
| India | 59.23 | +0.4 | -28.9 |
| Indonesia | 25.41 | +3.0 | -34.5 |
| Korea | 38.17 | +1.2 | +58.8 |
| Malaysia | 65.69 | +1.5 | -6.0 |
| Pakistan | 107.30 | +0.6 | -58.8 |
| Philippines | 119.18 | -1.3 | +5.7 |
| Sri Lanka | 77.91 | -0.8 | -33.8 |
| Taiwan, China | 127.49 | +1.0 | -9.6 |
| Thailand | 80.79 | -3.9 | +20.1 |
| Europe | | | |
| Czech Rep | 46.61 | -0.6 | -14.8 |
| Greece | 563.44 | +1.4 | +73.9 |
| Hungary | 247.83 | +8.5 | -21.3 |
| Poland | 471.87 | -0.2 | -21.8 |
| Portugal | 278.98 | -2.3 | +32.6 |
| Russia | 27.56 | -0.3 | -81.5 |
| Slovakia | 41.80 | +0.3 | -58.0 |
| Turkey | 153.20 | +3.8 | -50.9 |
| Mideast/Africa | | | |
| Egypt | 63.46 | -0.2 | -31.9 |
| Israel | 101.39 | +1.1 | -16.9 |
| Jordan | 210.81 | -0.1 | +0.2 |
| Morocco | 160.34 | +0.1 | +30.0 |
| [illegible] | 131.22 | +0.2 | -27.9 |
| Zimbabwe | 95.80 | +0.8 | -61.5 |
| Regions | | | |
| Composite | 187.12 | +0.1 | -23.9 |
| Latin America | 450.49 | -0.8 | -33.5 |
| Asia | 90.93 | +0.6 | -7.3 |
| EMEA | 113.05 | +0.4 | -23.4 |
| Europe | 142.84 | +0.4 | -24.3 |
| Baltic Europe | 55.03 | -0.8 | -60.8 |
| ME & Africa | 55.35 | +0.3 | -22.6 |
| Comp + Malay | 199.43 | +0.2 | -23.0 |
| Asia + Malay | 101.82 | +0.6 | -5.7 |

[illegible]

Latest indices were unavailable for this edition.

[illegible]

# NEW YORK STOCK EXCHANGE PRICES

*4 pm close December 3*

| 1998 High | Low | Stock | Div | Yld % | P/E | Vol 100s | High | Low | Close Quote | Chng Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **- A -** | | | | | | | | |
| 32 3/4 | 17 3/4 | AAR x | 0.34 | 1.5 | 18 | 421 | 24 3/4 | 23 1/4 | 23 1/4 | -1 1/8 |
| 49 1/2 | 28 1/4 | AMP | 1.08 | 2.3 | 30 | 10346 | 47 1/2 | 47 1/8 | 47 1/2 | -1/8 |
| 89 3/4 | 45 1/4 | AMR | | | 8 | 10929 | 69 1/2 | 67 1/4 | 67 1/4 | -2 1/8 |
| 39 1/8 | 13 7/8 | ASA | 0.80 | 4.5 | 11 | 622 | 18 1/4 | 17 1/2 | 17 7/8 | -1/8 |
| 49 | 32 1/2 | AbbtL | 0.60 | 1.3 | 34 | 15145 | 49 | 47 | 47 1/4 | -1 1/4 |
| 10 | 7 1/8 | AbrcI x | 0.40 | 4.4 | 4 | 784 | 8 1/4 | 8 1/2 | 9 | |
| 37 | 25 | ABM Ind | 0.40 | 1.4 | 24 | 55 | 33 1/4 | 33 | 33 | |
| 25 1/4 | 17 1/4 | Acptnch | | | 7 | 69 | 18 1/4 | 18 | 18 | |
| 43 | 24 1/8 | ACE Ltd | 0.36 | 1.1 | 10 | 995 | 32 1/4 | 31 | 31 | |
| 11 1/2 | 7 1/8 | ACM Gvt In x | 0.90 | 9.1 | 10 | 253 | 9 | 9 | 9 | |
| 9 | 7 1/2 | ACM GvOpp x | 0.63 | 7.7 | | 47 | 8 | 8 | 8 | |
| 10 | 7 1/2 | ACM Man x | 0.90 | 9.8 | | 258 | 9 | 9 | 9 | |
| 6 | 3 | Acme Elect | | | 22 | 35 | 5 | 4 | 4 | |
| 10 | 1/2 | Acme Mills | | | | 20 | | | | |
| 29 | 18 1/8 | ACNielsn | | | 30 | 635 | 27 1/4 | | 27 1/4 | |
| 30 | 13 7/8 | AcuMDA | | | 19 | 379 | 14 | 14 | 14 1/4 | |
| 29 1/4 | 21 | Adams Expr x | 0.55 | 2.2 | 1 | 227 | 25 | 25 | 25 | |
| 39 | 12 | Adelfia | | | | 59715 | | | | |
| 33 | 14 1/8 | Advest Grp | 0.16 | 0.7 | 18 | 115 | 22 | 22 | 22 | |
| 33 | 19 | Advo Inc | | | 19 | 388 | 26 | 25 | 26 1/4 | |
| 111 | 44 | Aegon | 0.76 | 0.7 | 46 | 190 | 105 | 103 | 104 | |
| 15 | 8 1/2 | Aeroflex | | | | 280 | 13 | 13 1/2 | 13 | |
| 72 | 22 | Aero-Y x | 0.85 | 2.7 | 7 | 481 | 34 | 32 | 32 | -1 |
| 59 | 23 | AES Corp | | | 38 | 2355 | 45 | 43 1/4 | 43 1/2 | -1 |
| 89 1/4 | 60 1/4 | Aetna | 0.80 | 1.0 | 13 | 5400 | 79 | 77 | 78 1/2 | -1 |
| 39 | 22 | AffCom | | | 32 | 20 | 39 | 38 | 39 | +1 |
| 39 | 22 | Aflac | 0.26 | 0.7 | 21 | 2340 | 38 | 37 | 38 | |
| 30 | 6 | AGCO | 0.04 | 0.5 | 3 | 1618 | 7 | 7 | 7 | |
| 22 1/4 | 17 | AGL Res | 1.08 | 5.0 | 18 | 7091 | 21 | 21 | 21 | |
| 45 | 28 | AirPrC | 0.68 | 1.9 | 14 | 3149 | 37 | 36 | 36 | |
| [illegible] | | | | | | | | | | |

| 1998 High | Low | Stock | Div | Yld % | P/E | Vol 100s | High | Low | Close Quote | Chng Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |
| 75 | 51 1/4 | BrnForB x | 1.16 | 1.6 | 25 | 499 | 73 | 71 1/2 | 71 | -1 |
| 38 | 29 | BrFor | 0.76 | 2.6 | 15 | 5699 | 30 1/4 | 29 | 29 | |
| 8 | 5 | BRT | | | 4 | 12 | 5 | 5 | 5 | |
| 35 | 12 | Brnswk x | 0.50 | 2.3 | 11 | 3449 | 21 | 21 | 21 | |
| 30 | 16 | Brsh Well | 0.48 | 3.1 | | 373 | 16 1/4 | 15 | 15 | |
| 31 | 28 | Buckeye Pt | 2.10 | 7.3 | 14 | 113 | 28 | 28 | 28 | |
| 25 | 14 | BuckeyeTch | | | 11 | 619 | 18 | 17 | 17 | |
| 20 | 6 | BusADR | | | | 168 | 12 | 12 | 12 | |
| 28 | 13 | Burl Coat | 0.02 | 0.1 | 11 | 1588 | 14 | 13 | 14 | |
| 36 | 26 | BurlN x | 0.48 | 1.4 | 14 | 6882 | 34 | 33 | 33 1/2 | |
| 49 1/2 | 29 | BurlRs | 0.55 | 1.7 | 47 | 7347 | 34 | 32 | 32 | |
| 15 | 11 1/4 | BurnhmP | 1.05 | 8.0 | 15 | 680 | 13 | 12 | 13 | |
| 34 | 25 | BushBoake | | | 19 | 17 | 33 | 32 | 32 | |
| 37 | 20 | BushInd | 0.58 | 2.4 | 5 | 89 | 23 | 23 | 23 | |

| 1998 High | Low | Stock | Div | Yld % | P/E | Vol 100s | High | Low | Close Quote | Chng Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |
| 39 | 18 | EGGB | 0.65 | 2.0 | 12 | 758 | 28 | 27 | 28 | |
| 37 1/4 | 20 1/4 | Eastgrs | 0.16 | 0.5 | 30 | 551 | 31 | 31 1/2 | 31 | |
| 27 | 23 | East Utils | 1.66 | 6.7 | 13 | 174 | 25 | 24 | 24 | |
| 45 | 37 | E Enterpr x | 1.68 | 4.1 | 18 | 790 | 41 | 40 1/2 | 41 | |
| 72 | 48 1/4 | EastCh | 1.76 | 3.1 | 16 | 2579 | 58 | 56 | 58 1/2 | -1 |
| 88 | 57 | EKodak x | 1.76 | 2.4 | 61 | 9140 | 73 | 72 | 73 | |
| 99 | 57 1/2 | Eaton | 1.76 | 2.6 | 10 | 1354 | 67 | 66 | 67 | |
| 33 | 28 1/4 | Ecolab | 0.38 | 1.2 | 27 | 3183 | 32 | 31 | 32 | +1 |
| 31 | 25 1/4 | Edisnint | 1.04 | 3.7 | 15 | 3363 | 27 | 27 | 27 | |
| 49 | 22 | EdwrdAG x | 0.56 | 1.6 | 11 | 2543 | 37 | 35 | 35 | -1 |
| 9 | 2 | Ekco Group | | | 11 | 778 | 4 | 3 | 3 | |
| 78 | 48 1/4 | Elan ADR | | | | 5648 | 66 | 65 | 66 | -1 |
| 31 1/4 | 19 | Elcor Corp | 0.28 | 0.9 | 29 | 178 | 30 | 30 | 30 | |
| 50 | 30 | EDS x | 0.60 | 1.6 | 27 | 24806 | 38 | 37 | 38 | |

| 1998 High | Low | Stock | Div | Yld % | P/E | Vol 100s | High | Low | Close Quote | Chng Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |
| 1 | 2 | Worldcorp | | | | 3857 | | | | |
| 37 1/2 | 29 | WPS Rs x | 1.98 | 5.8 | 15 | 702 | 34 | 33 | 34 | |
| 104 | 70 | Wrigley x | 0.90 | 0.9 | 33 | 875 | 97 | 96 | 97 | |
| 25 | 15 1/4 | Wynns Int | 0.24 | 1.1 | 15 | 118 | 22 | 22 | 22 | |
| | | **- X - Y - Z -** | | | | | | | | |
| 116 1/2 | 68 | Xerox x | 1.44 | 1.4 | 75 | 7310 | 104 | 104 1/2 | 104 | |
| 85 | 37 1/2 | Xtra Corp | | | 12 | 146 | 42 | 42 | 42 | |
| 31 | 22 1/2 | Yankee Egy | 1.39 | 4.8 | 23 | 62 | 29 | 29 | 29 | |
| 52 | 27 | York Int | 0.48 | 1.2 | 23 | 1166 | 41 | 40 | 41 | |
| 24 | 6 | Zapata | | | | 1287 | | | 7 | |
| 30 | 23 | Zenith Nat | 1.00 | 4.2 | 17 | 171 | 23 | 23 | 23 | |
| 8 | 5 | Zenix Inc | 0.70 | 11.6 | | 503 | 6 | 6 | 6 | |
| 14 | 8 | ZweigFdA | 1.06 | 9.9 | | 893 | 11 | 10 | 10 | |
| 9 | 8 | Zweig Tot | 0.84 | 9.5 | | 1189 | 9 | 8 | 8 | |
| [illegible] | | | | | | | | | | |

*Price data supplied by Extel, part of FT Information*

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.
d-new yearly low. P/E price-earnings ratio. vol volume. u-new yearly high. x-ex-dividend. xr ex-rights. yld yield. z-sales in full.
# Dealings suspended.

# GLOBAL EQUITY MARKETS

## US INDICES

| Dow Jones | Dec 2 | Dec 1 | Nov 30 | 1998 High | 1998 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 9064.54 | 9133.54 | 9116.55 | 9374.27 (23/11) | 7539.07 (31/8) | 9374.27 (23/11/98) | 41.22 (8/7/32) |
| Home Bonds | 106.85 | 106.84 | 107.00 | 106.85 (5/10) | 104.42 (11/5) | 106.85 (5/10/98) | 54.99 (1/10/81) |
| Transport | 3101.95 | 3047.84 | 3031.23 | 3686.02 (16/4) | 2345.00 (8/10) | 3686.02 (16/4/98) | 13.23 (8/7/32) |
| Utilities | 304.15 | 305.17 | 303.52 | 320.51 (8/10) | 282.66 (9/1) | 320.51 (8/10/98) | 16.53 (8/7/32) |

DJ Ind. Day's high 9154.40 (9214.68) Low 8922.94 (8934.92) (Theoretical) Day's high 9129.78 (9141.27) Low 8955.12 (8987.82) (Actual)

| Standard and Poors | Dec 2 | Dec 1 | Nov 30 | 1998 High | 1998 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite‡ | 1171.25 | 1175.28 | 1163.63 | 1192.29 (27/11) | 927.69 (9/1) | 1192.29 (27/11/98) | 4.40 (1/6/32) |
| Industrials‡ | 1398.15 | 1405.15 | 1388.06 | 1421.33 (27/11) | 1077.40 (9/1) | 1421.33 (27/11/98) | 3.52 (30/6/32) |
| Financial‡ | 128.05 | 127.85 | 127.77 | 147.89 (14/7) | 95.80 (8/10) | 147.89 (14/7/98) | 7.13 (4/9/74) |
| **Others** | | | | | | | |
| NYSE Comp. | 571.79 | 573.33 | 571.60 | 608.75 (17/7) | 477.20 (8/10) | 608.75 (17/7/98) | 4.64 (25/4/42) |
| Amex Comp | 659.94 | 663.00 | 663.58 | 753.67 (22/4) | 563.75 (8/10) | 753.67 (22/4/98) | 524.29 (15/7/96) |
| NASDAQ Cmp | 1985.21 | 2003.75 | 1949.54 | 2018.44 (27/11) | 1419.12 (8/10) | 2018.44 (27/11/98) | 54.87 (3/10/74) |
| Russell 2000 | 397.49 | 398.74 | 397.75 | 491.41 (21/4) | 310.28 (8/10) | 491.41 (21/4/98) | 123.36 (7/12/89) |

### RATIOS

| | Nov 27 | Nov 20 | Nov 13 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 1.63 | 1.66 | 1.69 | 1.74 |
| | Dec 2 | Nov 25 | Nov 18 | Year ago |
| S & P Ind. Div. yield | 1.22 | na | 1.25 | 1.46 |
| S & P Ind. P/E ratio | 35.71 | na | 33.53 | 26.33 |

## US DATA

### MARKET ACTIVITY

| Volume (million) | Dec 2 | Dec 1 | Nov 30 |
|---|---|---|---|
| NYSE | 727.430 | 789.240 | 688.200 |
| Amex | 22.008 | 28.476 | 27.575 |
| NASDAQ | 986.551 | 1031.97 | 1114.51 |

| NYSE | Dec 2 | Dec 1 | Nov 30 |
|---|---|---|---|
| Issues Traded | 3,528 | 3,563 | 3,540 |
| Rises | 1,339 | 1,513 | 1,075 |
| Falls | 1,731 | 1,571 | 2,042 |
| Unchanged | 462 | 479 | 423 |
| New Highs | 86 | 73 | 74 |
| New Lows | 56 | 58 | 43 |

### NYSE TRADING ACTIVITY

Volume : 801,457,229

**ACTIVE STOCKS**

| Thursday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| Compaq | 25,832,800 | 36⅛ | -¼ |
| MicronTech | 12,213,300 | 48⅛ | +1⅜ |
| Boeing | 12,212,300 | 31⅝ | -1⅞ |
| Citigrp | 11,578,500 | 49⅛ | -2⅝ |
| Analog | 9,278,500 | 27⅛ | +3⅛ |
| AmOnLne | 8,197,200 | 83⅞ | -4⅝ |
| LucentTch | 8,173,600 | 98⅝ | +1⅝ |
| Schimb | 7,810,000 | 41⅛ | -⅛ |
| Cendnt | 7,574,000 | 19⅝ | -1⅛ |
| Cabtrn | 7,492,100 | 8⅞ | -4⅞ |

**BIGGEST MOVERS**

| Thursday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| Ups | | | |
| Analog | 27⅛ | +3⅛ | +12.7 |
| LSI Lg | 19⅛ | +1½ | +8.5 |
| Unitrode | 18⅛ | +1⅛ | +6.5 |
| Downs | | | |
| Pxeer | 19⅛ | -3⅞ | -16.5 |
| MachEmA | 10⅝ | -1⅛ | -13.1 |
| Thiokl | 31½ | [illegible] | -12.3 |
| MachEmB | 10½ | -1⅜ | -11.8 |
| 6/2000 | 51⅜ | [illegible] | -11.4 |

### NASDAQ TRADING ACTIVITY

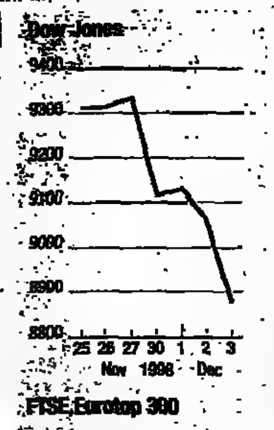
Volume :1,645,181,100

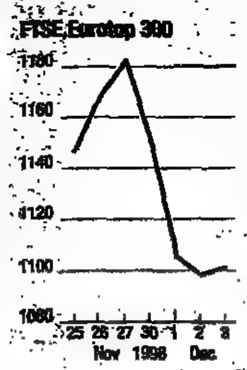
**ACTIVE STOCKS**

| Thursday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| [illegible] | 20,728,000 | 69⅝ | [illegible] |
| Intel | 18,394,900 | 108⅝ | -4⅛ |
| USAirw | 18,082,800 | 30⅝ | -8¼ |
| [illegible] | 14,452,800 | 42⅞ | -1 |
| Egghead | 12,939,000 | 16⅛ | [illegible] |
| Micsft | 12,382,500 | 122⅝ | -4⅝ |
| CiscoSys | 11,770,200 | 78⅛ | -2⅛ |
| Staples | 10,623,800 | 72⅞ | -1⅛ |
| ParamT | 8,818,500 | 15⅞ | -⅛ |
| AscendCom. | 8,496,100 | 57⅝ | -⅛ |

**BIGGEST MOVERS**

| Thursday | Close price | Day's change | Day's chge % |
|---|---|---|---|
| Ups | | | |
| StaffLs | 11⅝ | [illegible] | +24.5 |
| Phimcs | 23 | +3⅛ | +18.1 |
| Lattice S | 41⅝ | +5⅛ | +15.5 |
| HMT Tch | 13⅞ | [illegible] | +14.4 |
| Downs | | | |
| Egghead | 16⅛ | -6⅛ | -25.7 |
| Sysglass | 15⅝ | -4⅛ | -21.6 |
| ANTEC Cp | 16 | -3¾ | [illegible] |
| Caldre | 16⅝ | -3⅞ | -15.5 |





## JAPAN

[illegible]

## FRANCE

[illegible]

## GERMANY

| Thursday | Stocks traded | Close price | Day's change |
|---|---|---|---|
| [illegible] | 901,008 | 98.7 | +3.15 |
| DmlrCh | 855,015 | 148 | +0.8 |
| Lufthsa | 737,478 | 37.5 | +2.5 |
| BASF | 685,014 | 60.7 | +0.95 |
| Cmmzbk | 634,094 | 51.2 | +1 |
| Siemens | 567,194 | 110.7 | -1.8 |
| Bayer | 544,246 | 67.7 | +1.8 |
| DrsdBk | 499,090 | 69.8 | +1.6 |
| Dt Tel | 425,501 | 49.25 | +1.55 |
| Veba | 396,191 | 99.8 | +1.2 |

[illegible]

## UK

[illegible]

## INDEX FUTURES

| S&P 500 | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 1172.00 | 1171.00 | -1.30 | 1180.00 | 1166.50 | 131,991 | 357,646 |
| Mar | - | 1184.00 | - | - | - | 26,500 | 61,304 |

| Nikkei 225 | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 14820.0 | 14700.0 | -280.0 | 14860.0 | 14580.0 | 31,856 | [illegible] |
| Mar | 14770.0 | 14630.0 | -360.0 | 14789.0 | 14530.0 | 6,284 | 80,700 |

Open interest figures for previous day

| CAC-40 (200 x index) | Open | Sett Price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 3615.0 | 3722.0 | +69.0 | 3759.0 | 3590.0 | 113,793 | 194,670 |
| Jan | 3632.0 | 3730.0 | +68.0 | 3760.5 | 3632.0 | 2,429 | 2,948 |

| DAX | Open | Sett Price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 4660.00 | 4822.0 | +114.5 | 4848.0 | [illegible] | 42,155 | 79,044 |
| Mar | 4715.00 | 4861.5 | +106.0 | 4873.0 | 4625.0 | 901 | 6,207 |

OMX: [illegible]

SOFFEX: [illegible]

## WORLD MARKETS AT A GLANCE

| Country | Index | Dec 3 | Dec 2 | Dec 1 | 1998 High | 1998 Low | Yield | P/E |
|---|---|---|---|---|---|---|---|---|
| Argentina | General | 18007.57 | 18650.69 | 18880.44 | 23485.47 23/3 | 12393.14 1/9 | 3.24 | 13.3 |
| | $-Shares skidded at midsession after Brazil's congress rejected controversial provision of fiscal plan. | | | | | | | |
| Australia | All Ordinaries | 2720.3 | 2761.0 | 2734.1 | 2881.40 16/4 | 2458.20 1/9 | 3.37 | 21.3 |
| | All Mining | 597.5 | 608.9 | 603.0 | 713.10 23/4 | 489.80 31/8 | | |
| | Declines in resource sector outpaced those of broad market as copper's 12-year low dragged base metals down. | | | | | | | |
| Austria | Credit Aktien | [illegible] | 380.23 | 371.03 | 594.34 26/5 | 346.44 9/10 | 1.86 | 12.9 |
| Hungary | Bux | 5465.43 | 5594.97 | 5509.44 | 9016.36 23/4 | 3775.82 21/9 | na | na |
| | Market closed weaker, but above day's lows, as shares tracked early losses in European bourses. | | | | | | | |
| India | BSE Sens. | 2904.46 | 2816.59 | 2804.03 | 4280.96 21/4 | 2764.16 20/10 | | |
| | Crisil 500 | 582.18 | 584.12 | 580.75 | 816.62 21/4 | 357.96 20/10 | na | na |
| | Shares finished weaker in dull trade, expected to continue until fate of economic legislation decided by parliament. | | | | | | | |

[illegible]

# THE NASDAQ-AMEX MARKET GROUP

4 pm close December 3

[illegible]

# THE NASDAQ-AMEX MARKET GROUP

[illegible]

## AMEX

4 pm close December 3

[illegible]

## EASDAQ

[illegible]

# STOCK MARKETS

## Lower euro-zone rates beef up bull market

**WORLD OVERVIEW**

A round of European interest rate cuts gave share markets a much-needed shot in the arm yesterday, beefing up investor sentiment and putting disarrayed bull market theories back into some semblance of order, *writes Jeffrey Brown*.

The announcement that the German and French central banks were cutting official interest rates to 3 per cent, a 30 basis points reduction, sent both the dollar and European equities ahead.

From a morning low of 4,592.07, the benchmark Xetra Dax index in Frankfurt spun round viciously. Gains were pared later in the day as Wall Street continued to slip in early trading, but Frankfurt still closed with a gain of 2.1 per cent at 4,812.34. Paris rose 1.8 per cent and Amsterdam 2.4 per cent.

All 11 euro-zone countries tracked the Bundesbank lower and market talk of further rate cuts was close to irrepressible. The UK and US were widely seen as the next to trim money costs.

In contrast to recent events – European markets fell 7 per cent over the first three days of the week – it was a welcome change and made amends for a sticky start in Asia.

In this respect, yesterday's dollar rally was potentially good news for Tokyo, which shed almost 3 per cent, largely on worries about the stronger yen.

The latest bout of softness for base metals sparked some very visible selling in Australia, where BHP, for one, fell steeply. Copper prices stuck firmly to 12-year lows yesterday.

Commodity prices might be one reason for low global inflation, but they are also a key plank of the bear argument against equities. It is not easy to justify share markets close to peaks when one key benchmark of world trade is going rapidly in the opposite direction.

This pattern of events has been underlined starkly by recent profit warnings from leading companies. The latest earnings blow comes from the media sector via Anglo-Dutch publishing group Reed Elsevier.

Abby Joseph Cohen, the Goldman Sachs US strategist who has been one of Wall Street's most prominent bulls, retained her upbeat outlook at a London conference yesterday.

She said the US economy, while not immune to global problems, would still grow by at least 2 per cent in 1999 and that companies in the US S&P 500 index would manage earnings growth of 5-7 per cent.

The US equity market, 15 per cent undervalued in September, was now fairly valued and investors could expect returns of 8-12 per cent next year, she said.

## Brazil crisis overshadows Wall Street

**AMERICAS**

Concerns about overseas markets and the impact of corporate earnings hit Wall Street for a second day as a near 100-point fall sent the Dow Jones Industrial Average below 9,000 at midsession, *writes John Labate in New York*.

"The rate cuts in Europe are being overshadowed by renewed worries in Brazil," said Bill Meehan, chief market analyst at Cantor Fitzgerald in Connecticut, as financial stocks bore the brunt of the sell-off.

The banking index of the Philadelphia Stock Exchange was marked down by more than 2 per cent in midsession. The Brazilian market had lost 9 per cent of its value in morning trade on news that the lower house had defeated a social security measure on Wednesday. Further economic contraction in Japan was also a worry in the market.

By early afternoon the Dow was down 96.03, a 1 per cent loss, to 8,968.51. The broader Standard & Poor's 500 index fell 8.04 to 1,163.21.

As investors sold off blue-chip and other large-company shares, the high-tech sector remained steady as investors continued to look for profit potential in the semiconductor and computer sectors.

The Nasdaq composite gained 1.89 to 1,996.90. In semiconductors, Micron Technology gained more than 6 per cent to $48¾ after an analyst at CS First Boston raised his rating to "strong buy" and the stock price target to $65. Analog Devices surged more than 13 per cent or $3$\frac{3}{16}$ to $27$\frac{1}{16}$ after an upgrade by an analyst at ABN Amro.

But Cabletron Systems, the networking products producer, tumbled more than 32 per cent or $4¼ to $9¼ after a profits warning late on Wednesday.

Internet shares were mostly higher. Search engine Excite shot up $2½ or more than 5 per cent to $51⅞ after Merrill Lynch raised its rating.

In the Dow, Boeing continued to pull back after its recent profits warning. Shares were down $1$\frac{1}{16}$ to $32¼. In banks, J.P. Morgan lost $4 to $107$\frac{1}{16}$.

In the telecoms sector Bell Atlantic rose $1$\frac{11}{16}$ to $56⅝ after Merrill Lynch raised its long-term rating to "buy" from "accumulate".

**TORONTO** continued to move lower, with sentiment depressed by weak base-metals prices and the dull start on Wall Street. In thin volumes, the benchmark TSE-300 composite index was off 29.98 at 6,358.50 at noon.

Banks were mixed and golds eased. Royal Bank of Canada gained 40 cents at C$77.50, but Toronto-Dominion shed 20 cents at C$52.05. In golds, Barrick came off 5 cents at C$30.20.

Alcan Aluminium fell 75 cents to C$40.85. Seagram added C$1.10 at C$54.60 and Northern Telecom improved 25 cents to C$71.60.

Southam jumped C$3.90 to C$29.30 after Hollinger launched a bid for the remaining 29 per cent of the newspaper publisher.

## Dax shakes off early losses

**EUROPE**

Early losses in **FRANKFURT** were translated into gains after the Bundesbank and 10 other central banks across Europe cut interest rates. The Xetra Dax index picked up from a low of 4,592.07 to close 100.14 higher on the day at 4,812.34.

Among the large-cap stocks, Linde, the engineering group often described as the bellwether of the German economy, benefited most from the cut in the Bundesbank's key repo rate to 3 per cent. The shares surged DM105 or 11.6 per cent to DM1,007.50, its highest since mid-September.

Other big winners were Lufthansa, DM2.60 higher at DM38, and Deutsche Telekom, which put on DM2.70 to DM43.30.

**The FTSE Eurotop 300 index rose 12.85 or 1.17 per cent to 1,109.46. See Euro Prices page.**

Banks and the chemicals companies also gained on the rate cut. Deutsche Bank rose DM4.35 to DM99.90.

Hoechst led the chemicals sector with a rise of DM3.65 to DM72.65. Earlier the share had suffered when analysts questioned the structure and potential to produce blockbuster drugs from its planned life sciences merger with Rhône-Poulenc.

Siemens was a weak spot, losing DM1.55 to DM111 after its eagerly awaited news conference produced no fresh news on further restructuring plans.

BMW fell DM23 to DM1,119 as questions were raised over restructuring at its Rover subsidiary. CS First Boston also cut its earnings forecast for BMW because of higher-than-expected losses at Rover.

**PARIS** celebrated interest rate cuts with a volatile afternoon session. The CAC-40 index ended up 65.76 at 3,715.67 after trading within an arc of more than 170 points.

Acquisition news lifted retailer Pinault-Printemps, which gained FFr49 at FFr960, and the better dollar helped lift Renault FFr9.90 to FFr261, Elf-Aquitaine and L'Oréal, effectively the two parent companies backing the merger of Sanofi and Synthelabo, added FFr16 to FFr676 and FFr215 to FFr3,519 respectively.

Sanofi gained FFr16 at FFr946, but Synthelabo eased FFr9 at FFr1,190. Techs were strong. Cap Gemini rose FFr55 at FFr870 and STMicroelectronics advanced FFr19.50 to FFr401.50.

**AMSTERDAM** rallied strongly, with the AEX index gaining 25.07 to 1,052.75 in good volume, a tendency firmly reflected by the 17.4m shares traded in ABN Amro.

Financials led the bounce. ABN gained Fl 1.10 to Fl 38.20 and Aegon Fl 7.10 at Fl 199.50. Philips, included in Deutsche Morgan Grenfell's Focus buy list, jumped Fl 4.50 to Fl 121.80 and there was good demand for publishers VNU and Wolters Kluwer after a profits warning from Elsevier sparked sector switching.

VNU rose Fl 4.50 to Fl 67 and Kluwer Fl 12.90 to Fl 348. Elsevier, which warned that earnings for this year would fall short of forecasts, lost 80 cents at Fl 23.40.

Royal Dutch continued to track soft international oil prices, dipping Fl 2.80 to Fl 53.40. In spite of a rebound for the dollar, Hoogovens shed Fl 2.10 at Fl 53.50.

**MILAN** rose on news of interest cuts by the Bank of Italy. The Mibtel index closed 356 or 1.7 per cent higher at 21,769 after the central bank cut its discount rate by half a percentage point to 3.5 per cent.

Fabio Basagni, chairman of Actinvest, said he expected Italy's rate to fall below 2 per cent in the next 12 months, in line with other European countries. "The markets are reacting well on the news," he said. "But I have a feeling that they are not taking into account the full slowdown of earnings and economic growth in Europe next year."

San Paolo-IMI, the bank, rose sharply on reports that it planned talks before Christmas with Crédit Commercial de France to discuss a link-up. San Paolo ended L1,086 or 4.0 per cent higher at L28,113.

Eni, the energy group, continued its recent poor run. It shed L83 to finish at L9,918, compared with L10,678 at last Friday's close.

Edison, the electricity supplier and distributor, climbed L804 or 4.9 per cent to L17,091 on reports that it was increasing its stake in AEM, the electricity company majority-owned by the city of Milan.

**MADRID** benefited from the series of European interest rate cuts, with heavily indebted companies rising sharply on the news.

The general index ended 8.23 or 1.0 per cent up at 821.37 after Spain's central bank said it would lower its key interest rate 50 basis points to 3 per cent.

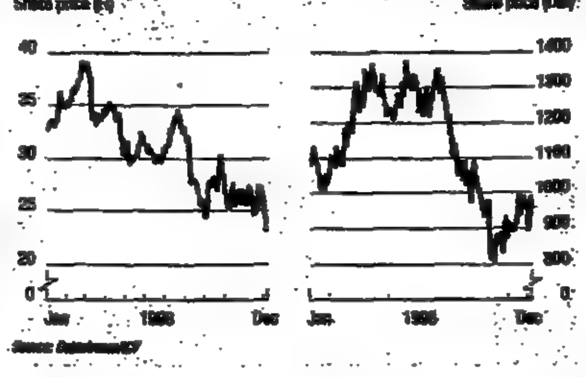
Endesa, the electricity company, put on Pta160 or 4.4 per cent to Pta3,755, while Iberdrola, its rival, finished Pta35 or 1.5 per cent higher at Pta2,390. Both have substantial debts.

**COPENHAGEN** edged down despite the Danish central bank's decision to cut interest rates. The KFX index ended 0.13 lower at 200.46.

Carlsberg, the drinks company, shed DKr10 or 2.8 per cent to finish at DKr350, while Den Danske, the bank, rose DKr13 or 1.6 per cent to DKr828.

**OSLO** fell 1.7 per cent, dragged down by rumours that Norsk Hydro, the industrial conglomerate, was about to issue a profits warning. The total index finished 15.06 down at 896.18.

*Written and edited by Michael Morgan, Michael Peel, Paul Grogan and Mark Herlihy*



## Congress vote sends São Paulo into freefall

**SAO PAULO** plunged almost 10 per cent in early trading after the Brazilian lower house of parliament voted down one of the government's key pieces of social security reform.

The Bovespa index fell 682 or 8.1 per cent to 7,767.

The defeat late on Wednesday will delay a final vote on the government's fiscal adjustment plan until 1999.

Preferred shares in Eletrobrás, the heavyweight electricity utility, fell R$3.90 or 12 per cent to R$28.60, while preferred receipts in Telebrás, the telecommunication company, declined R$10, or 8.9 per cent to R$102.50.

**MEXICO CITY** fell on worries about the sharp decline in São Paulo. The IPC index was 75.19 or 2 per cent lower in early trading.

**BUENOS AIRES** also traded lower on concerns about Brazil. At midsession, the Merval index was 21.26 or 4.4 per cent down at 463.62. All but one of the 30 shares was down on the day.

Traders said the market was responding to a fall in the Dow.

## Buyers fail to lift Jo'burg

**SOUTH AFRICA**

Shares in Johannesburg ran into a wave of late buying, but still ended lower, with the all share index slipping 92.4 to 5,299.2.

Industrials lost 1.5 at 5,982.0 and financials came off 2.3 per cent at 8,076.5 with the news of widespread interest rate cuts in Europe coming too late in the day to have much impact.

Golds continued to trail the broad market significantly, sliding a further 2.9 per cent at 918.9.

## Strong yen sends Nikkei down

**ASIA PACIFIC**

Overnight weakness on Wall Street and a stronger yen sent **TOKYO** sharply lower, *writes Naoko Nakamae*.

The Nikkei 225 Average fell 1.9 per cent or 289.54. It finished at 14,697.08 after trading between 14,875.6 and 14,589.63 during the day.

Other indices were also down, with the weighted Nikkei 300 index losing 1.6 per cent while the broader Topix index of first-sector stocks fell 1.6 per cent. Volume remained light at 323m shares.

Nearly all sectors were down, with only retailers managing to hold their ground. Banking fell 1.8 per cent, while property dropped 3.9 per cent and was the day's biggest loser. Mitsubishi Estate was down 5.2 per cent to Y1,142 and Sumitomo Realty and Development fell 3.4 per cent to Y422.

Electronics giant Toshiba was the most heavily traded stock, falling 1.4 per cent or Y10 to Y690, while its rival, Hitachi, lost 2.3 per cent or Y17 to Y733.

Car manufacturers also lost ground. Toyota Motor fell Y50 to Y3,010. Honda Motor slid Y30 to Y4,390 and Nissan Motor dropped Y11 to Y391.

In Osaka, the OSE index lost 180.51 at 15,169.23.

**HONG KONG** pulled back from heavy intraday losses to close with the Hang Seng index off just 9.63 at 10,046.15 after trailing at one stage by around 2.5 per cent. The bounceback followed a surge for property shares, which shot higher on the back of positive news for mortgage lending.

The sub-sector rose 2.5 per cent with Cheung Kong up 75 cents at HK$54.25 and Sun Hung Kai HK1.75 ahead at HK$56.50. Elsewhere, HSBC lost HK$2 at HK$186.50, but China shares were firmer. The red-chip index gained 1.4 per cent.

**SYDNEY** fell 40.7 or 1.5 per cent to 2,720.3 on the All Ordinaries index as base metal prices continued to weaken and sentiment lost ground on talk that BHP might be forced into dividend cuts when six-month results are unveiled early next month.

BHP lost 42 cents to A$12. News Corp shed 27 cents to A$10.67 and Coca-Cola Amatil came off 21 cents at A$5.32.

**WELLINGTON** was hit by political uncertainty and concerns about a loosening fiscal policy, which sparked steady selling by foreign funds.

The 40 capital index fell 27.86 or 1.4 per cent to 1,908.64. NZ Telecom lost 5 cents at NZ$7.75 and Carter Holt Harvey gave up 10 cents at NZ$1.55. Fletcher Paper shed 4 cents to NZ$1.12.

**BANGKOK** fell for the sixth day running, giving up 5.26 or 1.5 per cent at 337.86 on the SET index. Brokers said there had been a tendency for investors to close positions ahead of the long four-day weekend with the market shut for the first two days of next week.

Bank stocks fell 3.4 per cent. Bangkok Bank gave up Bt1.50 at Bt45.50.

**MANILA** ended at a two-week low after poor performances on other Asian markets and rumours that the inflation rate for November was higher than expected.

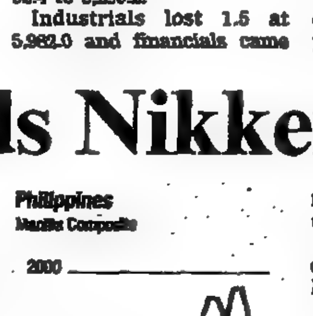
The composite index closed 78.97 or 4.2 per cent down at 1,807.08, its lowest level since the close on November 17.

**SINGAPORE** dipped on a day of light trading, reflecting weakness on other Asian markets and Wall Street. The Straits Times index fell 40.16 or 2.9 per cent to 1,343.43.

On a day short of corporate news, bank stocks fell prey to profit-takers exploiting gains founded on the Monetary Authority of Singapore's decision to relax rules for capital adequacy ratio calculations.

DBS foreign and OCBC foreign both shed 60 cents to close at S$12.60 and S$9.60 respectively.

The most actively traded stock, ST Engineering, ended 6 cents or 3.7 per cent down at S$1.56, after analysts said it was overvalued.



**EMERGING MARKET FOCUS**

## Asia buoyant on wave of liquidity

The tide of investor opinion on Asian emerging markets seems to be starting to turn. The question is whether companies in the region are sufficiently shipshape to stay afloat and sustain the rally. "A rising tide pushes everybody up," said one London-based investment manager. "But some of the boats have holes."

The exchanges have been buoyant. Despite a fall in the last few days, the IFC index of Asian emerging markets has climbed more than a third in two months and now stands almost 50 per cent higher than its September 1 low of 67.76.

Analysts agree that the improvement has been driven by increases in the liquidity of large stocks, with investors responding to signs of an end to the market volatility of the last nine months. As prices recover, fund managers are beginning to move from severely underweight positions towards levels closer to their benchmark holdings for countries in the region.

There are signs, however, that some investors are unwilling to commit themselves to supporting a recovery that is not based on sound fundamentals.

"I perceive a split in the investment community," says Matthew Merritt, global emerging markets strategist at ING Barings. "A large number of investors have refused to participate in this rally and have quite rightly focused on the significant risk of negatives on the basis of bottom-up valuation."

Mr Merritt says the Asian crisis is far from over. A sustained recovery will be achieved only after the capital markets and banks begin to function again.

There are plenty of other reasons to remain cautious. Merrill Lynch points out that in October and November its analysts made twice as many investment downgrades as upgrades, despite the markets rally. However, its research also reflects the widely held view that some companies are now fundamentally cheap. Businesses that are cutting costs or consolidating are attractive prospects.

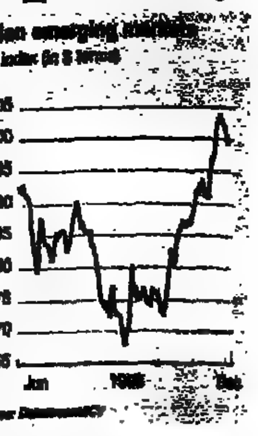
The number of bankruptcies in the region ought to decline dramatically, according to Ashok Shah, head of emerging markets at Old Mutual Asset Managers (UK). Falling interest rates worldwide have helped stabilise rates in Asia, where companies typically have high levels of borrowing.

He said markets in the region were benefiting from currency stability and falling inflation, which reflected falling food prices. "All markets are reducing their risk premiums. It looks like the crisis has been contained."

Others agree broadly with that view, but add more qualifications. Deutsche Morgan Grenfell still expects a "significant correction" even though it thinks the markets reached their low for the cycle at the start of September.

If that view proves correct, some investors may soon feel they were swept along by a wave of overenthusiasm. "It's like a shoal of fish," says the London-based manager. "When it turns, it turns aggressively."

**Michael Peel**



RICHARD DONKIN

# Rose-tinted retirement

## Despite claims to the contrary, being 'let go' early is often far from painless

There is something far too cosy about a report published this week called *Redefining Retirement*. It paints a picture of people dancing out of the door in their mid-50s to embark on a new life of unmitigated fun, glad to turn their backs on their jobs and move over for someone younger.

"Retirement is linked with fun now, not with being over the hill," said one retiree questioned in a series of interviews with people over 40. The report, by Sanders & Sidney, the outplacement company, is also based on research among 81 human resource directors.

Some two-thirds of the companies surveyed had early retirement policies and nearly half said the number of employees opting for early retirement was on the increase. Retirement, says the report, has undergone "a major image shift" and "employers welcome the change. They anticipate that people will continue to retire early, improving promotional opportunities for younger people and refreshing the workforce". It all sounds so painless.

The report brings to mind the film, *Soylent Green*, where people file obediently into "dying rooms" and fade away gently to their favourite music, to be disposed of and reconstituted as snack food for the masses. Edward G. Robinson, in his last film role, looks so serene as he lies back to the strains of Beethoven's *Pastoral Symphony* and gazes at giant TV images of pastures and hay meadows.

Perhaps this is what happens when people are programmed to accept an early departure as inevitable and "for the best". It would not do if too many people were, as Dylan Thomas put it, to "rage against the dying of the light".

In fact, if there is rage, it is likely to be against a lack of pension provision. According to the report, the hard fact of early retirement is that people often leave with far less pension than they might have enjoyed had they worked to so-called "normal" retirement age – as much as 30 per cent less if people go five years early. "As a result," says Tim Sharples, an actuary at Callund Consulting, a pensions consultancy, "employees may find they have to go on working beyond retirement age in order to maintain their income".

In this respect, the report appears to be on to something: the old demarcation between employment and retirement is disappearing, just as it is at the beginning of people's careers when it is no longer unusual to go back into education after a few years in work. Increasingly, says Sanders & Sidney, people are leaving conventional employment from age 40 onwards, not to stop working, but to do something different.

The report's guidelines for employers would make amusing reading were they not written in earnest. Raise the subject of retirement early enough, it says to employers, so that employees can give proper thought to their options. How early? As soon as they walk through the door? Well, yes, according to Robin Harding, a former planning officer who at 52 is now running a fitness centre with his wife, Kathleen, 46, a former tax inspector. "Companies should help staff plan for retirement from day one of their careers," he says. The Hardings are among several people interviewed for the report who have never looked back since taking early retirement.

Undoubtedly there are people making the transition from conventional employment to self-employment with some success, but many others would still have much to give their existing employers if it was not for the corporate obsession with youth. The report warns people to plan for retirement. People did that, by joining company pension schemes, only to find the rug pulled from under their feet when they were "persuaded" to go early. It was employers that wanted to change the deal.

### Early achievement can lead to equally early demise

The guidelines advise employers to plan for movement within the company so that employees can "move down the intensity scale if appropriate". They also suggest that companies should "allow older employees to wind down slowly – through reduced-time working, homework or project-based work". This feeds the suspicion that continues to prevail about homeworking – that it is somehow not proper work. There are plenty of people out there who would argue differently.

Anyone reading this stuff might wonder whether they should give up before they start. If the attitudes expressed in this report are accurate, people are going to feel their careers are on the shelf once they are past 40. This discouragement of ambition among people with so much experience seems to run through every strata of a company, feeding the ambitions of a generation of early achievers while forcing the older dogs to learn new tricks. But the problem with early achievement is that it can lead to equally early demise.

Martin Taylor's resignation as chief executive of Barclays Bank at the grand old age of 46 is a classic example of someone who appears to have peaked too early. What now for the cerebral Mr Taylor? A government job or a spell in academia? Sanders & Sidney have plenty of advice: "Be positive – this is an enjoyable life stage," they say to those contemplating the limbo of early retirement. In practice, such blandishments offer little succour to those experiencing their first taste of rejection or failure.

It may be that an official retirement age was never a good idea. We have Otto von Bismark, the 19th century German chancellor, to thank for a universal retirement age of 65 for men. He thought that was a good age for men to end their productive lives, working on the sound assumption, at the time, that they were not going to live much beyond that. But Bismark lived in an age when labour was sought after, when experience counted for something.

How attitudes have changed. When human resource directors were asked to list the benefits and problems associated with early retirement, the biggest benefit they could think of was increasing the promotional opportunities for younger staff and the biggest problem was the cost of paying people off. Yes, there are worries about losing experience and so-called "corporate memory" but, overall, employer responses reflect the liturgy of youth. If Shakespeare were alive to day, re-writing the seven ages of man in *As You Like It*, the age of full-time employment would have the swiftest of entrances and an even faster exit. But how can you build a career from a walk-on part?

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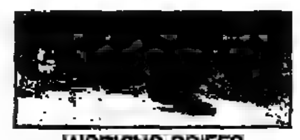

WORKING BRIEFS

### Graduates want opportunity now, not security tomorrow

Employers need not worry too much about the long-term aspirations of the new generation of job entrants.

ASE, a specialist in psychometric testing and assessment, has been running a survey of career influences on the Top Jobs on the Net web site (*www.topjobs.net*). The 7,000 respondents, mostly young male graduates, were quite clear in their priorities. Self-development was at the top of their list and security and status were the least of their concerns. Financial reward was not rated highly. These people placed more emphasis on career development, recognition, teamworking and influence. They should find plenty of scope in the youth-hungry companies that have been dispensing with their older employees.

### Sick of work

The Industrial Society has warned the government against stamping down too harshly on absenteeism in the public sector, where rates are twice as high as those in the private sector. If the crackdown promised by Gordon Brown, the chancellor, is too severe, says the society, it could prove counter-productive. The society trots out what has become accepted procedure: drafting an absence policy, monitoring absences, homing in on those with poor records, and carrying out return-to-work interviews. While producing results, it does not do much for building mutual trust in the workplace. People cry off work when their jobs are boring and when they do not feel appreciated. It would be better to tackle the problem at source.
*+ 44 171 429 2000*

### Checklist

Arthur Andersen's annual publication, HR Director, has some timely articles on topics facing personnel departments, including preparations for the euro, call centres, the role of personnel in knowledge management, social auditing, international assignments and drug testing. About the size of a comic-strip annual and far less entertaining, the book could provide a useful checklist for human resource managers keen to keep abreast of the latest trends.
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- Fluent in English and at least one other European language, preferably German with at least two years' experience as an analyst.
- Thorough understanding of fundamental and quantitative analytics. Specific market and industry knowledge of Europe would be advantageous.
- Self confident, intelligent and mature. Excellent communication skills with the ability to build close relationships with research providers and colleagues.

Tel: +49 69 610 927 22
Fax: +49 69 610 927 50

**Selector Europe**
Spencer Stuart

Please reply with full details to:
Yvonne Ramm, Spencer Stuart,
Schaumainkai 69,
60596 Frankfurt, Germany

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Conduct integrated audits, i.e, stressing operational and IT aspects equally, as a team leader. Advise management regarding appropriate internal controls as well as efficiency and effectiveness of their operations, and thus, add value to the business. Coach and educate team members while furthering your own education, so as to contribute to the high standard of expertise maintained in the department. Based in Basel, the position involves international travel.

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You have solid academic credentials (university or business college degree) combined with proven business experience in auditing (internal or extern[illegible] years. Knowledge of SAP R/3 (and/or [illegible] strong plus besides proficiency in [illegible]

**Who to contact**
The advertised opening and related [illegible] will be discussed in detail during a [illegible] If the above profile [illegible] and you are interested [illegible] then please forward [illegible] to our Human Resources [illegible] La Roche Ltd, P.O. Box, CH-4070 Basel [illegible] ing reference: Kg141. [illegible] Corporate Audit, Mr Jean-Claude [illegible] under telephone [illegible]

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- An engineering or science degree
- A minimum of five years work experience on a fast track career in a European telecommunications company
  or
- Telecommunications experience gained within a strategic or specialist consultancy
- A first class understanding of the dynamics and drivers of the European telecommunications sector
- A commercial outlook

*Ref 510*

### *Healthcare and Biotechnology*
- A PhD in life sciences or MD strong in molecular biology
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- Knowledge of the drug development process, including patent, regulatory and clinical aspects
- An MBA or experience in finance and a commercial outlook

*Ref 520*

### *European Management Buy-outs*
- MBA from a leading international school or "big six" ACA qualified
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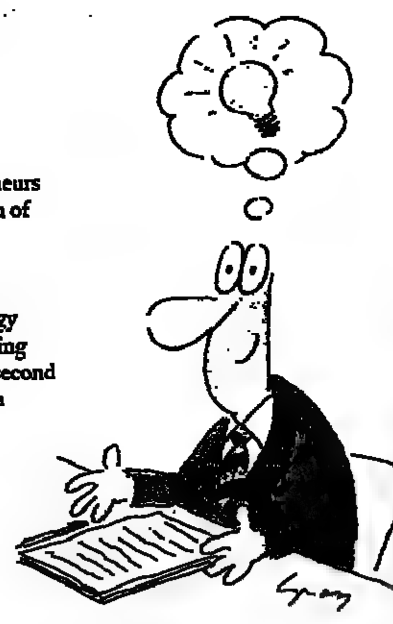
- Highly numerate with strong analytical skills
- Financially and commercially aware
- An understanding of and enthusiasm for private equity
- European language skills an advantage

*Ref 530*



Interested applicants should forward their curriculum vitae and details of their current remuneration quoting the appropriate reference to
Gail McManus,
Private Equity Recruitment Ltd,
212 Piccadilly,
London W1V 9LD.
Tel 0171 917 9486.
Fax 0171 917 9488.
e-mail: HYPERLINK mailto:gmcm@perecruit.com

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[illegible] for making a significant [illegible] telecoms team [illegible] marketing [illegible]

[illegible] will have: ☐ at least 8-12 [illegible] national financial institution [illegible] banking/transaction skills and [illegible] structuring operations; ☐ track record [illegible] experience of the telecoms sector; ☐ [illegible] senior bankers.

Environmental Appraisal [illegible]
Principal Public C[illegible]tion
Adviser (ref [illegible]855)

[illegible] Adviser will [illegible] environmental and social [illegible] the Adviser will appraise [illegible] EBRD requirements [illegible]

[illegible] candidates will have: ☐ at [illegible] experience [illegible] environmental issues [illegible] industrial [illegible] public sector and/or non governmental [illegible] both English and Russian is a requirement.

[illegible] ements for both positions: ☐ degree [illegible] the country of education; ☐ excellent [illegible] communication skills in [illegible] Central and [illegible]

[illegible] CV will [illegible] standard font type and size and laser quality [illegible] underline, boxes and graphics.
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*The ideal candidate will possess strong accounting and business achievements and be comfortable with dual reporting roles.* A minimum of 10+ progressive years of experience, including prior interaction with US companies, a knowledge of European statutory reporting and US GAAP.

## Accountant
***(Bracknell)***

We are currently seeking an individual to be responsible for the accounting activities of Viewlogic's UK subsidiary as well as assisting in the consolidated reporting for Viewlogic Europe.

Additional responsibilities include the maintenance and control of General Ledger, Sales Register, Receivables and Payables. A minimum of 3 years of accounting experience required, preferably in a technology company.

Email your resume to: jcapp@viewlogic.com, fax to our corporate office at 508-481-0185 or mail to: Viewlogic Systems, Inc., Human Resources, 293 Boston Post Road West, Marlboro, MA 01752 USA.

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- be fluent in English;
- have the capacity to work in a project oriented, truly international environment;
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Interested candidates should send their hand-written application and CV typed in English together with a photograph before 24 December 1998 to:

*Société Européenne des Satellites*
Human Resources Office
(Ref. FT/Business/12/98)
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In addition to the minimum experience required, candidates should have or be progressing towards IIMR or equivalent qualifications. Candidates must be computer literate and work well in a team environment.

To apply please write in confidence to:

**IMR Recruitment Consultants, Walbrook House, 23-29 Walbrook, London EC4N 8LD. Telephone: 0171 477 6500.**

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- Willingness for Business travelling outside Ireland
- Good interpersonal skills
- Outgoing personality

Interested candidates should apply in writing with current CV and their salary expectations to:
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att: Personnel Officer
AIB International, I.F.S.C, Dublin 1, Ireland
Telephone: (01) 670 0714 Telefax: (01) 670 0186
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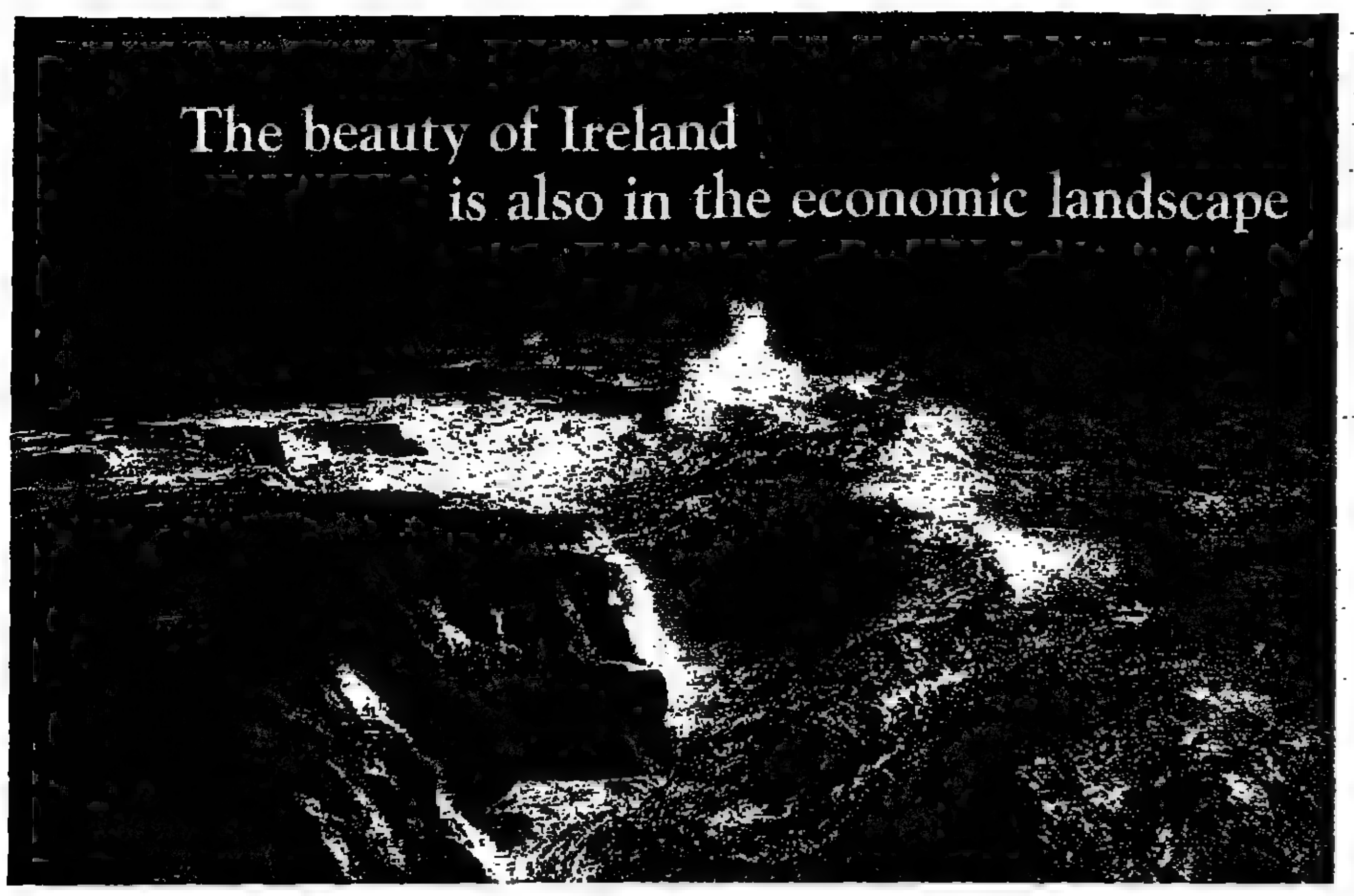

Since its foundation in 1966, Bank of Ireland Asset Management (BIAM) has grown a global business. We have a proven track record of outstanding long-term investment performance. Funds under management are approximately £21bn Sterling and we manage global securities for a broad range of clients and have offices in Ireland, the UK, Canada, the US, Continental Europe, Australasia and South Africa. We are offering exciting opportunities based in Ireland for high calibre individuals.

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This is a challenging role for a top class individual to manage and develop a portfolio of HNW clients. The role will involve advising, selling to and servicing a demanding client base.

The ideal candidate will be an ambitious self-starter with a third level qualification (business/accountancy) and a minimum of 5 years' experience in a fund management or similar industry. Experience in personal taxation will be a decided advantage. Excellent interpersonal skills, combined with initiative, energy and a commitment to service excellence will be important attributes of the successful candidate.

## Sales Executives

The successful candidates will join our expanding intermediary/branch network sales team in Ireland. They will become key players in selling our comprehensive range of investment products to personal investors.

Suitable applicants will have a minimum of 3 years' proven sales experience in the financial services industry. A business degree or an appropriate third level qualification will be a decided advantage. Excellent interpersonal skills combined with initiative, energy and a willingness to travel will be essential attributes of the successful candidates.

Please apply enclosing a detailed curriculum vitae, no later than Wednesday 16th December 1998 to:

Ann Ringrose, HR Manager, Bank of Ireland Asset Management Limited,
26 Fitzwilliam Place, Dublin 2, Ireland.

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Bank of Ireland
Asset Management

## Junior Financial Analyst

A graduate of a reputed university, you are interested in becoming a financial analyst, with a keen interest in financial techniques (financial analysis, audit). The position is open to both French and foreign nationals and excellent languages skills in French and English are necessary, while knowledge of a third language would be an advantage. You have excellent interpersonal skill and writing skills.

Your challenge will be to fit into a very dynamic challenging equity research team. As such you will have to research synthesise general and financial information, then take part in writing up and promoting financial reports.

You will need to be hardworking and enjoy selling your ideas. This position should lead to a senior financial analyst's position in the medium term. (Ref. : DM841837 A)

## Equity sales

A graduate of a reputed university, you will probably have some experience in financial analysis, possibly in consulting or audit. You have excellent language skills in French and English, you are enterprising, reactive and a keen team player

You will work on the trading floor with the backing of our outstanding research team Your role will be to advise and convince our institutional clients in their investments. (Ref. : DM841837/B)

*Please send your CV with a recent photo and financial ambitions with a accompanying letter (stating the job reference on both letter and envelope) to EUROMESSAGES 78, bd de la République - 92514 BOULOGNE Cedex - France.*

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You will need a good degree with a professional qualification, probably in the finance area, and around five years' post-qualification pensions experience gained with blue-chip, best-practice organisations. This experience will have included responsibility for, or exposure to, defined benefit pension schemes and other benefits. You must possess a thorough knowledge of the legal and regulatory framework for UK pension plans and other retirement/benefit provisions. Familiarity with both UK and US requirements for accounting for benefit costs and experience of defined contribution schemes would also be advantageous. Highly self-motivated with the ability to communicate at all levels in a genuinely multinational environment, you will also be an effective people-manager with well-developed systems skills and experience of change management processes.

The salary is backed by a valuable package of non-contributory benefits including assistance with relocation if appropriate. In addition, the significance of the role within the Corporation is such that the career potential is considerable.

If you are interested, please telephone our appointed consultant, Stuart Adamson FCA, on 0113 245 1212, or forward your comprehensive cv in confidence, quoting ref: 7280, to Adamson & Partners Limited, 10 Lisbon Square, Leeds LS1 4LY. Fax: 0113 242 0882.
Email: stuartadamson@adamson.com

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Applicants must be qualified accountants of the highest calibre and used to operating at board level. Experience gained in a service related plc environment will be preferred together with a first-class track record in operational and strategic management. Candidates must have real commercial talent, highly developed people and communication skills and the commitment to take on a major challenge.

Interested applicants should send a full c.v. including current salary and daytime telephone number to Phillip Price ACA, or Paul Laurent quoting reference 3174 at Deloitte & Touche Management Solutions, at the address below.

SR COMMUNICATIONS PLC

Deloitte & Touche
**management solutions**
Deloitte & Touche, Colmore Gate, 2 Colmore Row, Birmingham B3 2BN.
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# Finance Director

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Reporting to the Finance Director in Europe, you will be an integral part of the operational management team providing financial and commercial guidance to facilitate key decision making. This is a hands on role involving preparation and critical analysis of management accounting information across all four divisions of the business. You will be responsible for the maintenance and development of a strong financial control environment together with the successful implementation of an integrated IT solution throughout the company.

A professionally qualified Accountant with a minimum of five years post qualification experience, you will be commercially focused with a pragmatic, problem solving approach. Operationally minded, you will be down to earth with the interpersonal skills and energy to have a positive influence within this demanding role.

Interested candidates should apply in writing enclosing a curriculum vitae and covering letter, with daytime telephone number and current salary details to Andrew Setchell at Michael Page Finance, 29 St Augustine's Parade, Bristol BS1 4UL, fax 0117 926 4223, quoting reference ARG1. e-mail: andrewsetchell@michaelpage.com

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# Business Analyst

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A strategic review of the organisation is resulting in the complete re-engineering of finance and has led to a new position working in conjunction with the European Business Support Controller to develop and co-ordinate a business analysis and reporting framework to link European finance with all other areas of the business.

Duties will include:

- Responsible for the manufacturing and distribution cost reduction tracking and measurement programme.
- Development and implementation of KPI reporting, linking into corporate strategy.
- Assessing working capital management with the objective of improving financial positioning.
- Playing a key role in the project team responsible for the successful implementation of the finance re-engineering programme.
- Involvement in the European financial planning process and reporting (strategic plan, budget, forecasting etc.).

Ideal candidates will be graduate qualified accountants and/or MBA's with at least two years PQE preferably gained in an FMCG environment. You will also have the confidence to liaise with non-finance staff and lead multi-disciplinary teams. Computer literacy, strong analytical and organisational skills are a prerequisite, coupled with the energy and determination to succeed in this challenging environment. Languages, although not essential, would be an advantage.

If you wish to apply, please contact our retained consultant Neil Murphy at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN, or telephone 0171 269 2335, fax 0171 242 1020, quoting reference 471731 e-mail: neilmurphy@michaelpage.com

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# European Tax Manager

PLATINUM TECHNOLOGY

**Platinum Technology is one of the top eight leading suppliers of software, education and consulting services in the world with an anticipated global turnover of $1 billion for 1998. Platinum's 10,000 customers around the world look to Platinum to deliver solutions for data warehousing, systems and database management, applications development and deployment and year 2000 and EMU conversions. Quoted on the Nasdaq, Platinum has formed an EMEA Shared Service Centre in St Albans to support operations in over 20 countries.**

## St. Albans, Herts — c £60,000 + Bonus + Bens

A role has arisen for a European Tax Manager. Reporting to the US based Tax Director, whilst building a close working relationship with the UK based European Finance Director, this role will involve:

- Co-ordinating the tax compliance in the European region with outside advisers and negotiating fees for such advice.
- Tax research, analysis, planning and strategy for the region.
- Due diligence and compliance for acquisitions targets [illegible]
- Assistance in transfer pricing policy development.
- Co-ordinate tax audits with local Tax Inspectors.
- Ad-hoc projects.

The scope of this broad challenging role requires a qualified accountant with at least three years post qualifying experience and with proven ability in dealing with European Tax issues, gained either as a Manager in a Top 20 firm or in a US multinational.

Due to the start-up nature of the tax department in Europe, you will need to be a self motivated hands-on Manager who will thrive in Platinum's informal yet progressive culture. In return, Platinum Technology can offer a rewarding environment, potential to progress and the opportunity to work within a growing meritocracy.

Interested candidates should contact our retained consultant Fiona Reynolds at Michael Page Taxation, Page House, 39-41 Parker Street, London WC2B 5LN. Tel 0171 269 2322. Alternatively you can fax her on 0171 831 6662. Please quote reference 471730 e-mail: fionareynolds@michaelpage.com

**Michael Page**
TAXATION
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APV

APV Limited
A Siebe Group Company

# Finance Manager

**APV is an international company involved in process engineering, component manufacture and distribution principally serving the food, beverage, dairy and pharmaceutical industries. APV is part of Siebe, one of the UK's largest diversified engineering companies, employing over 50,000 people in over 200 companies around the world. APV is undertaking a major programme of change which will increase the importance of the finance function to the business, both in terms of information demands and input into the planning and decision making process. In line with these developments, APV is seeking to recruit a Finance Manager.**

## West Sussex — c £50,000 + Car + Bonus

Reporting into the Group Financial Controller, the Finance Manager will be responsible for a team of six accountants.

Key responsibilities will include:

- Management of the preparation and reporting process of group management accounts for global operations.
- Enhancing reporting and analysing key financial performance information.
- Providing direction within the group with regard to statutory, management and acquisition accounting policy.
- Undertaking value added projects for the CFO and Group Financial Controller.

This is a vital position within the organisation and suitable candidates must possess the ability to progress to Finance Director positions within the group.

Candidates will be qualified and should have a well rounded accounting background, preferably gained within an international, multi-site, contract based environment. Furthermore, due to its profile and high levels of senior management interaction, candidates must possess gravitas and credibility and enjoy working within a dynamic and expanding organisation.

Interested candidates should send their curriculum vitae along with current remuneration package to Alistair Robinson quoting reference 471766 to Michael Page Finance, Cygnet House, 45-47 High Street, Leatherhead, Surrey KT22 8AG or fax 01372 370101. e-mail: mpf.leatherhead@michaelpage.com

**Michael Page**
FINANCE
www.michaelpage.com

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# IT Auditor

**Part of a £8 billion multinational group, AAH plc is the market leader in the UK pharmaceutical industry and the drive behind the recent acquisition of Lloyds Chemists. With over 1300 retail outlets, 20 distribution centres and a group turnover exceeding £3 billion, the organisation has impressive statistics. A desire for constant improvement and future innovation will ensure continued competitive advantage.**

## Coventry — c £38,000 + Car + Bens

As a key member of the group audit team and reporting directly to the Head of Internal Audit, you will play an instrumental part in reviewing key system developments across all of the group's operations.

More specifically, the role will include:

- The development and subsequent maintenance of risk models.
- Ongoing review of installations.
- Review of current systems and associated security.
- Detailed systems support to the group audit team.
- Ad-hoc project support as required.

Ideally a qualified accountant with a background in industry, your personality will undoubtedly be one of your strongest attributes. You will possess an excellent track record in a results driven organisation.

You are likely to have retail/pharmaceutical experience and will have already undertaken an IT audit role. Excellent up to date IT skills are of course a pre-requisite.

In return, AAH offers exceptional career opportunities in a dynamic and exciting organisation.

Interested candidates should send a CV including salary and a contact number to Michelle Evans at Michael Page Finance, The Citadel, 190 Corporation Street, Birmingham B4 6QD. Fax 0121 625 3378. Please quote reference 439038. e-mail: michelleevans@michaelpage.com

**Michael Page**
FINANCE
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# HEAD OF FINANCE

## South East Wales

**Package Mid to High £40's**

Part of a global organisation with over 30,000 employees our client is a successful UK manufacturing business with a £27m turnover and 410 staff at its well established operations in South Wales.

An opportunity has arisen, after an internal promotion, to recruit a Head of Finance to join the Senior Management team and play an integral part in the business as it approaches an exciting period of change.

Reporting to the Managing Director, the individual will have full responsibility for the finance function (current staff of 10) and the provision of accurate, timely and relevant financial and management information.

One of the key initial challenges of the role is to seize opportunities, to develop the management information systems, that the restructuring of the businesses processes presents. It is anticipated that success will have a direct impact on business performance in a number of key areas, making the post of Head of Finance a highly visible one throughout the operation.

Our clients preference is that the successful applicant be an accountant with several years post-qualification experience, holding a senior finance position within a manufacturing environment. Exposure to a matrix structured multi-national would also be advantageous.

The individual will need to demonstrate a strong team orientation, enabling them to manage a sizeable department and play a key role within the senior management of the company. The confident clear communication style of an accomplished leader are taken as pre-requisites, as are effective analytical and problem-solving skills.

A rewarding career with real involvement in the business of an established market leader awaits the chosen applicant.

In the first instance, please contact, in complete confidence, Paul Tanton on 01222 225512 (eve's/w'ends 01291 689821). Alternatively, please send your full CV, including the details of your current remuneration, to him at HW Harrison Willis, Windsor House, 1 Windsor Lane, Cardiff CF1 3DE. Fax: 01222 225443. E-mail: paul.tanton@hwgroup.com Internet: www.hwgroup.com

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# Head of Finance

## *Internet Services*

SECURE COMPUTING *Nobody Comes Close.*

**Slough – Salary circa £40,000 + Excellent Benefits**

■ *Listed on NASDAQ with revenues approaching $63 million, Secure Computing Corporation is the leading developer of network security solutions designed to provide a secure and productive environment for conducting business on the Internet. The European operation, Secure Computing International, is principally a sales and distribution business with sales of $16 million. The current growth and future plans of the organisation necessitate the appointment of an ambitious individual who can establish accounting policies and procedures to support the business as it expands.*

■ *Reporting to the VP International Operations in Slough, with a dotted line to the Finance Director in the US, you will be responsible for all aspects of the finance function and ensure it delivers a supportive service to the business, encompassing the production of monthly management and annual statutory accounts, budgeting and forecasting, and developing pertinent management information.*

■ *Suitable candidates will be IT oriented, commercially aware qualified accountants. The current size of the business dictates that you must have a practical "hands on" approach, with well developed relationship management skills. Experience of the sector and exposure to the culture and management needs of international corporations would undoubtedly be an advantage. Energetic and analytical, with excellent communication skills, you will have the personal authority to earn the respect of management colleagues throughout the organisation. Prospects in this ambitious, marketing led business are excellent.*

***Please send your curriculum vitae with current salary details and an explanation of how you meet these requirements to Tim Hastings, Ernst & Young Executive Search & Selection, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, quoting reference TH307.***

ERNST & YOUNG

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# Head of Finance

**City – £ Executive Compensation**

■ *A proactive finance professional is sought by a speciality finance business that provides capital and asset management services to the healthcare industry. The organisation has investments in the UK and Australia and expects to establish a business in Continental Europe in the near future.*

■ *The role in the short to medium term will focus on ensuring that the businesses in each geographical location are operating at their most efficient from a financial perspective. This will include consideration of tax issues and the creation of the most appropriate investment vehicles in the light of the local investment culture and regulatory framework.*

■ *The acquisitive nature of the organisation requires the postholder to have a strong grasp of the debt and equity capital markets. Experience of managing relationships with investment and commercial banks is also sought. The mainstream accounting functions are currently undertaken by the parent company in the US. However, the appointee should be capable of fulfilling the full FD function if the future development of the organisation requires the international accounting function to be based in London.*

■ *It is likely that you are a qualified accountant with strong exposure to all aspects of financing companies through rapid growth. Experience of taking a private company through to plc status would be preferred as this is one of the options open to this highly successful operation.*

***To progress your interest, please send a copy of your curriculum vitae, including current remuneration details, to Susan Milford or Tim Hastings at Ernst & Young Executive Search & Selection, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH or fax 0171 931 1022 or e-mail: smilford@cc.ernsty.co.uk quoting reference SM289. Alternatively please call 0171 931 2252/07771 947372.***

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# IT'S THE QUALITY OF INTERNATIONAL EXPERIENCE THAT COUNTS.

## INTERNATIONAL AUDITORS

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As a highly successful division of a $4.5 billion Fortune 500 industrial group, our client offers you the opportunity to gain high level exposure across the globe, and add an impressive name to your CV. As pioneers across a diverse technological spectrum, their reputation is first class and synonymous with innovation, quality and exceptional customer service. All of which shows that for successful, qualified accountants, our client really can provide a fantastic next career move.

You'll conduct risk reviews across the business together with audits of operations spanning commercial, marine, defence and information technology. Working closely with all levels of management, you will maximise the efficiency and effectiveness of the group's business processes, evaluating and improving internal controls and compliance whilst maintaining your commercial perspective at all times. The international nature of these roles offers the opportunity for extensive, but not excessive, travel within your specific region, either Europe or the USA.

Your one to three years' post qualification experience following your ACA, CPA or equivalent, will have been gained within a major Audit Practice, preferably one of the Top 5. Although international experience is not mandatory, it's important that you have the international mindset, capacity for lateral thought and the advanced interpersonal skills required to propose workable solutions and defend your recommendations in culturally diverse environments.

You'll find that Audit represents a first-class training ground for long-term career enhancement, and success here will present many opportunities to move on to other roles within the organisation. In addition to an attractive salary and benefits package, you will enjoy, where required, relocation assistance which will cover visas and work permits.

Interested applicants should apply to Robert Macmillan, stating current remuneration and quoting reference number UKR559 at Nicholson International (Search & Selection Consultants), Bracton House, 34 - 36 High Holborn, London WC1V 6AS. Alternatively, fax your CV on 0171 404 8128, or e-mail: vanessa_jonas@nicholsonintl.com

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# Head of Audit

## FTSE 100 MultiMedia plc

**c.£80,000 + Benefits + Bonus** **London**

**Opportunity for ambitious and proactive auditor to play key role in the growth of this high profile and rapidly expanding multinational group.**

**THE COMPANY**

- International multimedia group with interests in the US, Europe and Far East. Diverse asset portfolio.
- Strategic objective to continue building globally renowned product and service offering through innovation and internationalisation.
- Impressive record of growth both organically and through acquisition. Significant financial resource available to fulfil aggressive plans for expansion.

**THE POSITION**

- Manage high profile international Internal Audit function. Provide commercial and financial evaluation of operational performance, financial control and integrity.
- Evaluate and improve existing systems, controls and operating efficiency. Contribute to robust financial and corporate governance standards.
- Support major group-wide projects and assist in post acquisition incorporation to ensure adequate financial control. Report to Group Finance Director and Audit Committee.

**QUALIFICATIONS**

- Graduate Qualified Accountant. Experienced audit manager with record of ensuring tight financial control and delivering business improvement. Background in either industry or the profession.
- Proactive and analytical with strategic vision and commercial orientation. Excellent communication, presentation and influencing skills. Thorough and methodical in ensuring recommendations are implemented.
- Highly ambitious. Capable of assuming a senior line role business-wide. Proven change manager who thrives in dynamic environment.

**Please send full cv, stating salary, ref LG200908FT, to NBS, 54 Jermyn Street, London SW1Y 6LX**

**Fax 0171 491 0447 Email simonb@nb-selection.co.uk Tel 0171 493 6392**

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# Investment Institution

## United Arab Emirates Based

## *Finance Manager – Real Estate Department*

■ *Our client is an investment institution based in the United Arab Emirates, with overall responsibility for directing the investment of funds on behalf of the government.*

■ *Our client now seeks to appoint a qualified and dedicated Finance Manager for its Real Estate Department which has real estate investments throughout the world although principally in Europe and the United States.*

### *The Position*

■ *The Finance Manager who will be based in the United Arab Emirates, will be involved with the financial direction of the Real Estate Department at a strategic level whilst ensuring that day-to-day functions are carried out effectively and efficiently. He will be responsible for co-ordinating all matters dealing with the Real Estate Department's investments world-wide, including the preparation and audit of financial statements in accordance with appropriate accounting standards, management reporting, internal controls and compliance with the institution's policies and procedures. He will report to senior executives and provide financial analysis of the Department, on a regular basis. The candidate will be expected to support the development of business plans, interpret the financial implications and to co-ordinate financial control mechanisms.*

### *Qualifications*

■ *The ideal candidate for this position should possess excellent communicational skills and experience in dealing with senior executives, external and internal auditors and legal advisors. Good MIS and budgetary skills are also required. Experience in the Real Estate field is not considered to be a necessity, however the candidate should be familiar with international taxation. The candidate must be a qualified Chartered Accountant (ACA).*

***Qualified Candidates should forward their Curriculum Vitae together with a recent photograph and expected remuneration package before 17 December 1998 to Ernst & Young Executive Recruitment Division, P.O. Box 136, Abu Dhabi, United Arab Emirates, Fax: + 9712 722968. Please quote reference number 202. Only those candidates which are shortlisted will be contacted.***

ERNST & YOUNG

# Chief Financial Officer

**Highly competitive remuneration package + share options**

**London**

The company is a rapidly growing producer of soft commodities focusing primarily on premium grade tea and coffee plantations. Well capitalised, it also benefits from a Board of experienced and distinguished directors. The company is in the process of being listed on the LSE.

Currently involved in a number of large scale transactions and development projects, it has identified the need for a strategic and forward thinking CFO to sit on the Board, and play a leading role in the next phase of its development. He/she must have the potential to take over as Chief Executive.

Based in London, with frequent trips to Africa, the CFO will be responsible for developing and implementing state of the art financial management and treasury systems, as well as enhancing management reporting procedures to cope with the anticipated organic and acquisitive growth.

Experience of corporate finance transactions at Board level and an in depth knowledge of City institutions and investor relations is essential, as he/she will be expected to direct communications with potential investors and shareholders.

Reporting directly to the Executive Chairman, he/she will be a self motivated ACA/MBA with proven strategic vision and leadership skills within a competitive plc environment. They must also have the ability to adapt from a "hands on" role to being a high profile player at Board level.

A genuine understanding of the intricacies involved in an emerging market environment is desirable in this challenging and exciting new role.

*Interested candidates should send or fax their CVs stating current remuneration package to Carol Jardine, Principal, Jardine Kelso, 53 Shepherds Hill, London N6 5QP quoting reference number JK/0080. Fax 0181 341 4463.*

• JARDINE KELSO •

# GROUP FINANCIAL EXECUTIVE

**London/Africa £40,000 p.a. + benefits**

Plantation & General Investment plc, a small listed group currently refocusing and seeking to expand its business in Africa, is seeking a qualified chartered accountant to fill this newly created position.

Working from London, the role will involve extensive travelling throughout East and Southern Africa and will ideally suit a young, single person able to work on their own initiative to broadly defined objectives. The executive will be primarily concerned with investment appraisal, risk assessment and management control systems. He or she will work closely with the Group Chief Executive and Group Finance Director.

Candidates should have a minimum of 3 years post qualification experience, preferably with some international exposure. It is expected that as the group develops success in this role will lead to a rapid increase in responsibility and offer good scope for personal development.

Contact: G Moores on Fax: 0171 248 1081 or email: gm@pgi-uk.com

# Director of Finance

**Geneva** **Switzerland**

The International Federation is the world's largest humanitarian network, working with people from around the world at the forefront of aid and development. With a yearly budget of CHF 400-500 million, and with increasing emphasis on accountability, the Finance function has a pivotal role in the effective operation of the Federation.

We are now seeking to fill the above position. Reporting to the Under-Secretary General, Finance and Administration Division, the primary purpose of this role is to ensure that the Finance Department controls and administers the financial resources of the Federation and provides timely and accurate information to the Secretariat, donors and the statutory bodies of the Federation.

Particular areas of responsibility are:- financial planning, budgetary control, accounting policies and practice, treasury management, setting of investment guidelines and management of 20 staff to achieve all the above objectives.

To succeed in this role you will possess a university masters degree in management and finance and more than five years' experience in senior financial management, preferably in a multinational environment. Good verbal and written English is essential, plus a working knowledge of French.

To apply, send a full CV and covering letter, quoting Vacancy No 98-278 no later than 8th January 1999 to: Amanda Baus, Recruitment Co-ordinator, International Federation of Red Cross and Red Crescent Societies, PO Box 372, 1211 Geneva 19. Fax: (41 22) 730 4958, vacancies@ifrc.org

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## INVESTOR RELATIONS MANAGER

Société Européenne des Satellites (SES), the leading European broadcast satellite operator with headquarters in Luxembourg, is seeking to appoint an investor relations manager to develop a comprehensive investor relations programme for the international financial community.

SES, which earlier this year floated part of its stock on the Luxembourg Stock Exchange, valuing the Company at about $6 bn., operates the ASTRA satellite system which reaches an audience of more than 73 million homes in Europe. The company has a strategic development programme to enhance its leadership position in Europe, develop new services and to expand globally.

*Reporting to the Director of Finance,* the position offers an opportunity for international career development in an industry which has strong growth characteristics. Pote[illegible] have a thorough k[illegible] relations techniqu[illegible] sant with the in[illegible] Familiarity with [illegible] an advantage [illegible] or German [illegible] advantage [illegible] not manda[illegible]

An attractive remuneration package together with a generous [illegible] package is en[illegible] candidate.

App[illegible] should write, enclosing a full [illegible]

**Jürgen Schulte**
**Director of Finance**
**Société Européenne des Satellites, L-6815**
**Château de Betzdorf**
**Luxembourg**

ASTRA

## INTERNATIONAL PROJECT ACCOUNTANT

**Trouble Shooting Role with Major FMCG Group with Manufacturing Interests Worldwide**

**Based East Midlands** **c. £40k + Car + Bonus + Benefits**

This £350m Division of International Public Group has significant manufacturing interests both in the UK and worldwide. The demands of its retail customer base necessitates stringent quality efficiency and supply chain controls in place. Due to a significant acquisition, an enthusiastic qualified Accountant, preferably CIMA is now required to provide strong financial and analytical support to the manufacturing and business operations, reporting directly to the Divisional FD.

### The Role

- Support Divisional FD focusing on profitability, pricing and costing issues. Improve reporting and financial controls where necessary worldwide.
- Focus on financial analysis performance of individual manufacturing operations bench-marking and highlighting KPI's in UK and abroad.
- Investigate international trade costing issues highlighting KPI's. Other ad-hoc projects.
- Financially evaluate business development projects.
- Improve systems, costing and supply chain issues with UK and International manufacturing.

### The Candidate

- Qualified Accountant preferably CIMA. Strong management accounting skills gained in manufacturing environment with International exposure. Second language desirable.
- Self motivated and commercially aware. Team player with high energy level. Persuasive and able to influence. Decision maker.
- Excellent analytical, technical and computer skills.
- Able to thrive in demanding, fast moving environment. Willing to relocate offshore within two years.

Please apply in writing, enclosing full CV, quoting reference number LBA/356.

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Metropolitan House, City Park Business Village, 20 Brindley Road, Manchester M16 9HQ.
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## Director of Internal Audit

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**Reckitt & Colman serves more than a billion consumers in 120 countries and has sales in excess of £2.3bn. It is pursuing a strategy to make market leaders of all its core household products by strengthening its operations in the US and growing its brands in the emerging markets of Latin America and Asia.**

A key member of the senior financial management team is sought to realise the benefits of proactive audit management across the devolved group. You will be involved in all aspects of business decision making and operational review, including due diligence and business development initiatives.

Reporting to the Group FD and the Audit Committee, you will have full executive responsibility for group financial and operational audit, corporate governance compliance, risk assessment and reporting for this global business.

You will have additional responsibility for leading the European audit team, closely assisting the European Finance Director.

A top graduate qualified accountant, you must have broad international audit planning, financial and risk management experience gained in a similarly dynamic market-driven group. Extensive exposure to such a group from within the Profession would also be of interest.

You will be technically competent, objective and commercially astute. You must be sensitive to multi-cultural and management issues, and have strong interpersonal and communication skills.

Please send your CV and remuneration details, to:
Criterion Search,
50 Regent Street,
London W1R 6LP,
quoting ref: TBA.
Tel: 0171 470 7212.
Fax: 0171 470 7171.
email: mail@criterion-search.co.uk

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## Finance Systems Strategist

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British Airways commands an unrivalled position at the forefront of the Airline sector. Their global network carries more than 34 million passengers and 816,000 tonnes of cargo annually, achieving revenues of £8.6 billion. Financial systems covering performance measurement, management information and fiscal reporting span across the whole of this dynamic and complex group.

Reporting to the Chief Financial Officer this highly visible role will *systematically drive disciplined, planned improvements and strategic systems change throughout the finance area.* Key tasks will include:

- driving independent systems thinking and planning to ensure coherence, co-ordination and best practice in existing and future technology.
- driving and monitoring improvements to IT delivery performance, capturing and prioritising ideas and co-ordinating systems ownership.
- actively managing contracts with service providers (external and internal) on generic infrastructure issues, IT sourcing and value for money.

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The successful candidate will only succeed in this pivotal role through excellent influencing and negotiating skills. Experience must include management of large scale finance systems change programmes. In depth financial systems understanding, strong accounting knowledge, sound strategic judgement and outstanding communication skills are essential attributes for this extremely demanding and high profile role.

This is an exciting opportunity to contribute at the highest level within a complex, fast-moving and successful organisation.

Please send a full CV in confidence to GKR at Queensberry House, 3 Old Burlington Street, London W1X 1LA tel: 0171 534 0099, *or by email to lcurry@gkrgroup.com quoting reference number 9611 on* both letter and envelope, and including details of current remuneration.

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*The University of Oxford is a leading international centre of scholarship, teaching and research. It has an annual turnover in the region of £500m and is engaged in a wide range of activities both academic and commercial. The University has recently reviewed its finance structure and is now implementing radical changes. The department is being reorganised into functional areas and two senior accountants are now sought to lead key teams. These posts offer an opportunity for well-qualified and imaginative accountants to contribute to finance's enhanced strategic role, vital to the future development of this world class university.*

### Head of Management Accounting

**Central Oxford** **c£40,000 + Benefits**

Responsible for the whole range of management accounting duties, this post will support central and devolved management by implementing new systems and leading a team initially of 14 staff providing services to some 150 academic and support units. Major change is expected in this area to which the incumbent will be expected to make a creative and proactive contribution. Direct responsibilities will include the University's budgets, resource allocation and costing systems.

- A qualified accountant with proven experience of change management within a large and diverse organisation. Experience of the education sector is desirable.
- Experienced at managing large budgets and providing quality management information across a highly devolved structure.
- A dynamic manager with the ability to develop the full potential of a committed team.
- IT literate with experience of systems design and implementation.

### Head of Financial Accounting

**Central Oxford** **c£35,000 + Benefits**

Responsible for the preparation of the University's accounts and financial statements together with the maintenance and integrity of the University's accounting systems, this section also embraces the provision of an accounting service to departments and units, administration of debtors and creditors and the collection of student fees from colleges. With 24 staff, this is the largest section in the department with a strong focus on internal and external customer service.

- A qualified accountant who can provide an innovative approach to the provision of clear and concise financial information on a large scale - a key factor in the decision-making process. Experience of the education sector is desirable.
- Previous track record of managing substantial clerical and professional teams through periods of significant change
- Knowledge of large scale financial accounting systems, and the ability to maximise their full potential.
- The ability to develop strong relationships across a demanding customer base.

**If you have the determination to succeed and the genuine desire to help shape this internationally renowned organisation, please write enclosing your CV to Paul Littlewood at Hays Accountancy Personnel, 133-134 High Street, Oxford OX1 4DN. Tel: 01865 248252. Fax: 01865 251843. E-mail: oxford@hays-ap.co.uk Closing date for applications is Friday 18th December 1998. All applications will be forwarded to Hays Accountancy Personnel, our retained consultancy. The University is an Equal Opportunities Employer.**

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## Commercial Finance Director – Flotation Opportunity

London – Six Figure Package + Equity

SR Communications PLC is the original "one-stop" direct marketing group and a premier division player in this dynamic sector. Following a successful management buy-in/out, the group intends to treble in size over the next three to five years and build on its range of services currently comprising direct mail, telemarketing, fulfilment services, printing, computing and international distribution. The achievement of a full listing is seen as a key step in order to offer returns to investors and fund long-term growth.

As the Chief Executive's right hand, the individual sought will provide *the highest quality of financial advice* to the group – strategically and operationally. The Finance Director will develop a watertight financial reporting and control environment, enhance business effectiveness by fostering high-quality decision making through optimising the MIS, and play a key role in securing growth through acquisition and organic development.

Applicants must be qualified accountants of the highest calibre and used to operating at board level. Experience gained in a service related plc environment will be *preferred together with a first-class* track record in operational and strategic management. Candidates must have real commercial talent, highly developed people and communication skills and the commitment to take on a major challenge.

Interested applicants should send a full c.v. including current salary and daytime telephone number to Philip Price ACA, or Paul Laurent quoting reference 3174 at Deloitte & Touche Management Solutions, at the address below.

SR COMMUNICATIONS PLC

Deloitte & Touche
**management solutions**
Deloitte & Touche, Colmore Gate, 2 Colmore Row, Birmingham B3 2BN.
Tel: 0121 200 2211. Fax: 0121 695 5729. E-mail address: Phillip Price@deloitte.co.uk

## *Take financial control – help provide choice*

ARTHRITIS CARE
*Empowering people with arthritis*

## Director of Finance

**Central London** **c£40,000**

*Established in 1947, Arthritis Care is the [illegible] charity in the UK working to promote self-help and social inclusion for all people with arth[illegible] is to empower people to take control of their arthritis, their lives and their organ[illegible]*

*With an annual expenditure reaching [illegible] 630 branches and local groups, Arthritis Care is now at an exciting stage of [illegible] ground as a charity prepared for the 21st century. To accomplish this o[illegible] targeted three key areas of development – provision of support through s[illegible] raising of public awareness and financial security for the organi[illegible]*

Reporting to the chief executive and managing a small finance team, the director of finance will lead and work with the finance department in developing, implementing and improving all financial systems, controls and procedures coupled with managing the development and implementation of each phase of Arthritis Care's IT systems. Key responsibilities include the preparation of all financial accounts, budgetary control and performance management whilst assisting the chief executive in the preparation of strategic plans for future development of the organisation's services. Current challenges include regionalisation, project accounting and hotel trading.

The successful candidate will be a CCAB qualified accountant with a minimum of five years senior financial management experience. You will be able to demonstrate a track record in improving financial controls and procedures combined with a hands-on approach to get the best out of your team. Proven communication skills and the ability to liaise with both financial and non-finance personnel are prerequisites. Above all you must be able to support Arthritis Care in achieving its mission to provide a choice to the individuals they support.

**If you believe you have the determination to succeed in the above post, please write enclosing your cv and current salary details to Hays Accountancy Personnel, 14 Great Castle Street, London, W1N 7AD, quoting reference SB/AC/4. Tel: 0171 436 5533. Fax: 0171 323 9752. E-mail: west-end.ps@hays-ap.co.uk. Closing date for applications is December 17th 1998.**

*Arthritis Care is committed to equal opportunities in employment.*

Hays Accountancy Personnel
Hays

## SENIOR BUSINESS ANALYST

West Sussex
Competitive Package + Benefits

ALLIED DOMECQ

Allied Domecq Spirits & Wine (UK) Limited is one of the UK's *leading sales and marketing* companies involved in the spirits and wines industry, with an impressive portfolio including Teacher's Scotch Whisky, Courvoisier Cognacs, Tia Maria Liqueur Spirit, Harveys Sherries *and Cockburn's Ports.*

**The Role**

As an energetic and proactive *member of the Business Analysis* team, your remit will span both Allied Domecq's brand and customer portfolio, focusing on improving business performance through the identification of key value drivers.

Your key challenges:

- to develop key working relationships;
- play a proactive role within the customer group and category marketing teams to improve business performance;
- provide quantitative and qualitative analysis of brand and customer profitability;
- involvement in the strategic planning process.

The successful candidate will be:

- a qualified accountant, ideally *ACMA, with 2-5 years PQE;*
- sales and marketing focused, preferably within an FMCG environment;
- an excellent, team focused communicator;
- flexible, adaptable and creative in approach;
- adding value from day one, demonstrating the drive and energy to make this role their own.

In the first instance, please contact, in complete confidence, Nick Diprose on 01483 303300 (evenings & weekends 0181 943 4644). Alternatively, please send *your full CV, including the details* of your current remuneration, to him at HW Harrison Willis, 10 Quarry Street, Guildford, Surrey GU1 3UY. Fax: 01483 303799. E-mail: nick.diprose@hwgroup.com Internet: www.hwgroup.com

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# Financial Controller

Fleet, Hampshire

Parametric Technology Corporation (http://www.ptc.com) is the fifth largest independent software company in the world and is renowned for its explosive growth and market dominance within the CAD/CAM software arena. With worldwide revenues in excess of $1Billion and significant continued growth in its ongoing operations they now wish to recruit a high calibre qualified accountant with at least two years' post qualification experience to fulfil the role of UK Financial Controller.

Based at the company's European Headquarters in Fleet, Hampshire the position will report directly to the Northern European Finance Director and will have responsibility for the day to day control of the UK finance function including the management and development of their own team. In addition there will be extensive involvement in various projects including, where appropriate, acquisitions, revenue analysis and development of advanced financial reporting techniques. The right candidate will also be technically strong with an understanding of UK statutory reporting and US GAAP.

The position is very high profile and will require extensive liaison with senior internal managers and external professional advisors, consequently well developed communication skills are essential. Parametric Technology is a rapidly growing business and the prospects for career development both locally and throughout their international operations are unrivaled. A flexible approach coupled with the ambition to succeed in a competitive, fast moving professional business are also key attributes. Interested candidates should submit their CV to our retained consultant Dominic Wade quoting reference DW1141.

PARAMETRIC TECHNOLOGY

Wade Macdonald Associates, Hedrich House, 14-16 Cross Street, Reading, Berkshire RG1 1SN
Tel: 0118 956 0600 Fax: 0118 958 3120 Email: dominic.wade@wademacdonald.com

WMA

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BURMAH CASTROL

# Finance Director

**Kent** — ***c.£55,000 + bonus + share options + benefits including FX car***

*Sericol International*, a wholly-owned subsidiary of Burmah Castrol plc, is the largest group in the world dedicated to the manufacture and supply of inks and imaging systems to the screen printing industry - an industry worth £1billion globally. Sericol UK is its major contributor in turnover and profitability.

Sericol's headquarters and manufacturing facility are based in Broadstairs, Kent with nine service centres throughout the UK. As a result of an internal promotion, we are looking for a Finance Director to join at Board level to support the UK and Export businesses with responsibility for the provision of financial information and accounting controls. In addition, the role requires a strategic thinker with proven project management skills, capable of initiating and championing key projects on behalf of the company. The culture is entrepreneurial and customer-driven, the management style open and energetic.

**The role**

- participate in the development of strategic business plans and objectives, and as a member of the UK board, share responsibility for the general management of the company
- formulate budgets and forecasts, manage the preparation of all financial reports, manage capital expenditure and, with the UK Managing Director, assess acquisitions and divestments
- give leadership to the UK Finance group and develop a strong management team capable of meeting the needs of a demanding organisation
- in close association with the International Group Finance Director, develop an IT strategy and ensure the delivery of IT systems which support both the UK and Export businesses
- act as Company Secretary and focal point on all legal matters.

**The person**

- graduate qualified accountant with at least 7 years' pqe, latterly at a senior financial management level preferably in a blue-chip manufacturing environment
- highly computer literate with an understanding of the international implications of IT
- an assertive but flexible team player, able to coach own large team and be a good role model whilst working closely with the executive team in the effective and profitable running of the business
- able to energetically deliver a multi-faceted agenda, balance priorities, adapt and respond quickly to new issues and direct resources to achieve objectives
- the potential to move within Burmah Castrol as success in this role will lead to career development opportunities.

Please write, enclosing your cv and addressing each of the points above, and outlining current remuneration to, Yolande Leroy-Evans, Executive Search and Selection, Ref: 2818FD/FT, PA Consulting Group, 123 Buckingham Palace Road, London SW1W 9SR. Tel: 0171-730 9000. Fax: 0171-333 5330. E-mail: helen.russell@pa-consulting.com

PA Consulting Group

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# Group Financial Controller

***c.£60,000 + Car + Benefits*** — ***M40 Corridor***

*With a turnover of approximately £300 million, our client is* one of the UK's largest companies in its sector of the leisure industry. Its business model is revolutionising the way this sector is operating and it's dynamic and forward thinking management team are bringing the best commercial practice to every aspect and functional area of the group. They now seek an exceptional Group Financial Controller.

Reporting to the Finance and Systems Director, you will oversee the financial accounting function to meet all statutory, management, and other external reporting requirements for the Group.

Key responsibilities will include:

- Managing, motivating and developing a team of over thirty people; comprising processing, accounts payable, sales ledger, financial and management accounts and tax/treasury teams.
- *Being responsible for the production of timely financial* and management accounts and year-end statutory accounts for the group.
- Management of financial planning, cash flow, budgeting, forecasting and the provision of commercially focused management information, support and advice.

*This is a challenging and demanding role which will require a proactive individual with superior communication* skills, a grasp of day-to-day management as well as the ability to make a contribution at a strategic level. A qualified accountant of graduate calibre you will have at least five years experience ideally gained within the leisure, retail or consumer goods sector. You will thrive in a changing environment with a proven track record of establishing controls whilst leading and managing a team.

To apply, please send your CV with a covering letter, including daytime telephone number and current salary details, to Harvey Nash plc, 13 Bruton Street, London W1X 7AH. Telephone: 0171 333 0033. You may also apply via e-mail: finance@harveynash.com or http://ispc.com/Harvey_Nash. Please quote reference number FN414?FT

HARVEY NASH FINANCE

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# It's not often we ask for financial advice.

## Make the most of it.

**Marketing Accountant** — **Surrey - £38k package**

At Legal & General, giving best advice to customers and colleagues is a way of life. We're full of confidence about the future, developing product ideas that are innovative and creative. Finance is a key building block of the development process.

Which is where your expertise and advice comes in. You'll work alongside our marketing teams, assessing and evaluating the financial feasibility of new product ideas and business initiatives. The processes you develop throughout the business will ensure an even more effective and focused operation.

As a qualified Accountant with around two years' post qualification experience, you'll have developed a sound commercial understanding.

And since this is a very people-oriented role, you'll need to have a firm, yet approachable personality and excellent interpersonal skills.

If you'd like the chance to give finance advice to the experts, please write to: Dawn Harris, Legal & General Assurance Society, Legal & General House, Kingswood, Tadworth, Surrey KT20 6EU.

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Legal & General

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Rialto

PRICEWATERHOUSECOOPERS

EXECUTIVE SEARCH & SELECTION

# Financial Controller

HERTFORDSHIRE — TO £53,000 + CAR + BENEFITS

**Rialto Homes plc ...**

... is one of the top ten housebuilders in London and the Home Counties, and reputed for excellence and for creating high quality homes. Their impressive and varied portfolio of property developments, ranging from first homes to prestigious detached properties, generates annual turnover of over £75m.

**You will be responsible ...**

... for financial and management accounting, delivering critical information to support business decisions and to effectively manage multi-million pound projects. Reporting to the Finance Director, you will manage a team of 14 and be expected to develop strong working relationships across most functions and levels. Opportunities will arise to lead certain cross-company development projects including being a key figure in shaping and managing the use of IT.

**You need to be ...**

... of graduate calibre, a qualified accountant with at least five years' generalist financial management experience gained in a challenging commercial environment if not in the property/construction sector. Experience in accounting for high value projects and joint ventures is essential, as is a high degree of competency in using IT systems. There will be plenty of challenges for the individual who can demonstrate technical and commercial competence, apply energy and sensitivity and make things happen.

Please send full personal and career details, including current remuneration and daytime telephone number, in confidence, quoting reference LS1521 on both envelope and letter to:

**Elizabeth Stewart,**
**PricewaterhouseCoopers,**
**Executive Search & Selection,**
**1 Embankment Place, London WC2N 6NN.**

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PRICEWATERHOUSECOOPERS

EXECUTIVE SEARCH & SELECTION

# Finance Manager

GWYNEDD — C. £40K + CAR ALLOWANCE

Our client is a wholly owned subsidiary and European manufacturing and distribution headquarters of a US-based Corporation, which is a global leader dedicated exclusively to immunodiagnostics. The company is based in Gwynedd and manufactures a range of specialist medical products at its magnificent purpose-built premises set in the Snowdonia National Park.

The company has doubled in size over the last six years to a turnover of £23million and further expansion is planned for the foreseeable future. Concentration on customer needs is a key feature of the company's success, particularly its strong export business that accounts for some 75% of sales. This success resulted in the company being granted a Queen's Award for Export in April this year.

We are seeking someone who would be capable of taking the company forward through its future development. Reporting to the managing director and a key member of the senior management team, the person appointed will be a key player in the strategic and operational development of the company. Stringent financial reporting requirements, the development of key performance measures and working with operations managers to minimise inventory are the key issues.

Candidates must be qualified accountants with proven commercial as well as technical, management and IT skills in a manufacturing environment. Good communications, leadership and teamwork are important personal attributes.

Please send full personal and career details, including current remuneration and daytime telephone number, quoting reference P1515, to:

**Annie Murphy,**
**PricewaterhouseCoopers, Executive Search & Selection,**
**Abacus Court, 6 Minshull Street,**
**Manchester M1 3ED.**
**E-mail: annie.murphy@uk.pwcglobal.com**

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# GROUP TAX & TREASURY MANAGER

**WEST YORKSHIRE** — **c£45,000, CAR, BONUS**

Kalon Group Plc is a *multinational* group of companies, engaged in the *manufacture and distribution* of decorative paints and related *products*. As one of Europe's market leaders the group prides itself on being one of the lowest cost producers in the industry. Group turnover in 1997 was £472 million. Internal promotion within the group finance function has created a new vacancy for a commercially minded, qualified chartered accountant. The role will involve the strategic management of the group's tax and treasury affairs, together with exposure to ad-hoc financial projects and group accounting issues. The business continues to be acquisitive and a group treasury policy needs to be developed. This will involve managing banking relationships, negotiation of facilities and investigating structured finance and refinancing opportunities. The candidate will assume responsibility for the total tax requirements of the group including tax structuring relating to acquisitions and disposals and the management of relationships with external advisors. Candidates will need to possess strong technical strengths, but equally important is the ability to communicate at the highest level and to see the bigger picture. This is not a back room role and requires a candidate of some stature, capable of developing his or her career further within an international group.

**We are handling this assignment exclusively. Apply in writing, reference FT0016L to One York Place, Leeds LS1 2DR. Tel: 0113 247 0170. Fax: 0113 247 0191.**
**Email: ft0016l@hitchenor-maher.co.uk**
**Website: www.hitchenor-maher.co.uk**

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